2018 ANNUAL REPORT

China Maple Leaf Educational Systems Limited
中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1317

* For identification purposes only

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CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
2018 ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen
*(Chairman and Chief Executive Officer ("**CEO**"))*
Ms. Jingxia Zhang *(Chief Financial Officer ("**CFO**"))*
Mr. James William Beeke

Non-executive Director

Mr. Howard Robert Balloch *(Vice Chairman)*

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Xiaodan Mei
Mr. Lap Tat Arthur Wong

AUDIT COMMITTEE

Mr. Lap Tat Arthur Wong *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Xiaodan Mei

REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*
Mr. Xiaodan Mei
Mr. Howard Robert Balloch

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Xiaodan Mei

COMPANY SECRETARY

Ms. Chan Wai Ling*
Ms. Wan Mun Yee, Sabine#

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Chan Wai Ling*
Ms. Wan Mun Yee, Sabine#

* *Resigned on 27 August 2018*
\# *Appointed on 27 August 2018*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
DLA Piper Hong Kong

As to PRC law
Tian Yuan Law Firm

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Maple Leaf Educational Park
6 Central Street
Jinshitan National Tourist Area
Dalian, Liaoning Province 116650
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13/F.
Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1317

COMPANY WEBSITE

www.mapleleaf.cn

INVESTOR RELATIONS

Email: ir@mapleleaf.net.cn
Address: Room 1302, 13/F., Tai Tung Building
8 Fleming Road, Wanchai, Hong Kong

LETTER FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Maple Leaf Educational Systems Limited, I am pleased to present the annual report comprising the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 August 2018.

RESULTS AND DIVIDENDS

First of all, our financial performance for the year ended 31 August 2018 was very encouraging. Our total revenue increased by 23.8% to reach an all-time high of RMB1,341.3 million. Our profit increased by 30.1% to reach RMB538.4 million and our adjusted net profit for the year was RMB600.1 million, up 40.2%. In keeping with our policy of sharing our success with our shareholders, the Board is recommending the payment of a final dividend of HK$5.1 cents per share for the year ended 31 August 2018. Together with the interim dividend of HK$4.0 cents per share, this will bring a total dividend of HK$9.1 cents per share for the year ended 31 August 2018.

KEY ACHIEVEMENTS

The past year saw very exciting growth for the Group through domestic acquisitions and steps taken to pave the way for further expansion abroad.

In December 2017, the Group acquired 55% interest in the Shenzhen-based company that controlled the Shenzhen Yisidun Longgan School, for a total consideration of RMB89,045,000 (equivalent to approximately HK$104,921,724). This acquisition has established a strategic presence for Maple Leaf in Guangdong Province, providing an opportunity for the Group to build brand awareness in one of China's top-tier cities and most developed areas. It also will serve as a base to further expand our school network in other cities in Guangdong-Hong Kong-Macau Greater Bay Area in the future.

In January 2018, the Group completed a series of acquisitions in Haikou, Hainan Province, spending RMB150,000,000 (equivalent to approximately HK$184,026,500), to add four schools and a Youth Service Centre (the Haikou Meishe School, the Haikou Meiwen School, the Haikou Changchunteng Kindergarten and the Haikou Meihua School, and the Hailkou Youth Service Centre) to our school network, adding immediately 3,260 K-12 full-time Maple Leaf students and the capacity through the youth centre to provide training courses to 10,000 students per year.

Later in the year, in August 2018, the Group entered into two separate agreements with Shanghai-based owners to acquire 100% equity interest in Xiangyang Junpeng Education Consulting Company Limited (the "**Xiangyang Company**"), for a total consideration of RMB130,000,000 (equivalent to approximately HK$149,903,000). The Xiangyang Company wholly owns seven kindergartens located in Xiangyang City, Hubei Province with student enrolment of approximately 1,380 and including three kindergartens with self-owned properties of 5,120 sqm.

Finally, as part of its overseas expansion plan, the Group also signed an agreement with the University of South Australia ("**UniSA**") to establish the first Maple Leaf University School in Australia where the school is expected to be opened in February 2019 at Mawson Lakes Campus of UniSA. UniSA is one of the leading universities in Australia and is ranked among the Top 50 young universities worldwide by both QS and Times Higher Education.

BUSINESS HIGHLIGHTS

The Group operates all of our schools under the "Maple Leaf" brand. Each school year normally runs from the beginning of September each year to the middle of July in the following year. At the end of the 2017/2018 school year a total of 33,478 students were enrolled in 82 schools located in 21 cities in China and Canada, representing a growth of 28.3% compared with the student enrolment as at the end of the 2016/2017 school year. Revenue from tuition and boarding fees increased by 26.3%

to RMB1,108.7 million. In June, 2018 we graduated 2,146 high school students, 99 of whom received offers from one of the top 10 universities in the world, with more than 69% of them receiving offers from at least one of the Maple Leaf Global Top 100 universities. Subsequent to the year ended 31 August 2018, we have continued to grow. By 15 October 2018 we had 36,564 students enrolled in our schools, representing an increase of 30.1% compared to the same date in 2017. Furthermore, we have also added to our network a total of 10 schools in one new city, Xiangyang, and two cities where we already had schools, namely Wuhan and Yancheng, bringing our network to a total of 92 schools located in 20 Chinese cities and 2 Canadian cities.

OUTLOOK

The overall target set in our amended Fifth Five-Year Plan (from 2015/2016 to 2019/2020 school years) is to reach total student enrolment of more than 45,000 by the end of the 2019/2020 school year. The first Maple Leaf Educational District has been established in Hainan in year 2018. We expect to set up three more educational districts in Liaoning, Wuhan and Tianjin by the end of our fifth five-year plan.

Under our school development plan for the 2018/2019 and 2019/2020 school years, we will continue to open more middle and elementary schools in second and third-tier cities in China as feeder schools to provide students to our high schools located in nearby cities. In this regard, the asset-light model, attained by partnering with public or private entities, remains our key strategy. We will also continue to explore potential acquisition opportunities in China that create synergies with the Group and fit the educational philosophy of Maple Leaf. We will also consider opening schools in first-tier cities in China, including Beijing, within the next two years.

Apart from the expansion plan in China, the Board is of the view that further overseas expansion is a part of our long-term growth strategies. We can see the growing demand for bilingual English and Chinese education in "Belt and Road" countries, where China and other countries are making strategic investments in infrastructure and development. The Group believes Maple Leaf has unique advantages in filling up the gap between the limited provision and the huge demand for quality international K-12 education along the Belt and Road. We also believe that our students in China will benefit from a global presence of Maple Leaf brand schools.

The Board is confident that it will maintain the Group's leading position as an international school operator in China by combining the best of both Western and Chinese educational philosophies.

SHARE AWARD SCHEME

The Board realizes the importance of the retention and motivation of talent in the implementation of the Fifth Five-Year Plan. The Company has adopted, among other incentives, a restricted share award scheme ("**Share Award Scheme**") under which share awards will be granted to the Directors, executive officers, senior management, employees and consultants of the Group. The Share Award Scheme will assist to attract and retain talent, recognize their contributions, and align their interests with those of the shareholders of the Company (the "**Shareholders**"). In July 2015, the trustee of the Share Award Scheme purchased a total of 62,160,000 shares of the Company on the market. During the year ended 31 August 2018, a total of 13,886,000 Shares were granted from the Share Award Scheme of which 13,786,000 Shares were granted to approximately 418 employees and directors of the Group and 100,000 Shares were granted to a consultant of the Company. Since the incorporation of the trustee up to 31 August 2018, share awards have been granted to 1,015 Directors, executive officers, senior management, employees and a consultant of the Group.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our students' parents, the local governments, and our Shareholders for their continuing support. I also wish to thank our fellow Board members and senior management for their contributions and hard work during the year and extend my appreciation to our management, teachers and staff for their endeavors and commitments in providing highest quality education for many thousands of Maple Leaf students.

Shu Liang Sherman Jen
China Maple Leaf Educational Systems Limited
Chairman and Chief Executive Officer

Hong Kong, 27 November 2018

CORPORATE PROFILE

China Maple Leaf Educational Systems Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, collectively the "**Group**") is a leading international school operator, from preschool to grade 12 ("**K-12**") education, in the People's Republic of China ("**China**" or the "**PRC**") as measured by student enrolment.

Founded in 1995, the Group's headquarter is located at Dalian, Liaoning Province, China. With over twenty three years' experience in operating international schools in China, the Group provides high quality K-12 education by combining the merits of both Western and Chinese educational philosophies in 21 cities in China and British Columbia ("**BC**"), Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu, Jingzhou, Pinghu, Xi'an, Huai'an, Haikou, Huzhou, Yancheng, Weifang, Shenzhen, Kamloops and Richmond.

As at 15 October 2018, the Group had 36,564 students and 3,116 teachers. As of 15 October 2018, we had 92 schools of which 90 are located in China and 2 are located in Canada, comprising 14 high schools (for students in grade 10 to 12), 23 middle schools (for students in grade 7 to 9), 24 elementary schools (for students in grade 1 to 6), 28 preschools and 3 foreign nationals schools. Over 90% of our students are local Chinese mainly from middle-class and above families and the rest are from other countries.

Our high schools are certified by both the Ministry of Education of BC, Canada and the Chinese educational authorities, where we offer a bilingual and dual-curriculum to our students. Our high school graduates receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, all of our high schools, foreign nationals schools and Maple Leaf Educational Systems have been accredited by AdvancED, the largest school accreditation agency in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students. Currently, the Group employs approximately 397 BC-certified teachers.

The Group launched its Maple Leaf Global Top 100 University Guide ("**Maple Leaf Guide**") based on well recognized international rankings, such as QS, US News and MacLean's, in 2015/2016 school year. The Group believes that the Maple Leaf Guide is suitable for the majority of its students who aim for English-language universities. For the year ended 31 August 2018, the Group graduated 2,146 high school students, 99 of whom received offers from one of the top 10 universities in the world, including Imperial College London and University College London, with 1,481 graduates, being more than 69% of them receiving offers from at least one of the Maple Leaf Global Top 100 universities.

OUR SCHOOL NETWORK IN CHINA

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 August				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	540,269	652,984	829,770	1,083,182	**1,341,267**
Cost of revenue	(305,148)	(354,277)	(428,029)	(543,331)	**(717,163)**
Gross profit	235,121	298,707	401,741	539,851	**624,104**
Profit before taxation	48,436	216,897	325,890	440,662	**547,879**
Profit for the year	40,036	205,546	307,564	413,723	**538,403**
Adjusted net profit (Note 1)	127,390	185,792	303,720	427,964	**600,080**
Basic earnings per share (RMB)	2.60	8.55	11.57	15.32	**19.02**

	Year ended 31 August				
Profitability Margins	2014	2015	2016	2017	**2018**
Gross profit margin	43.5%	45.7%	48.4%	49.8%	**46.5%**
Adjusted net profit margin	23.6%	28.5%	36.6%	39.5%	**44.7%**

Note 1
Adjusted net profit was derived from the profit for the year after adjusting for those items which are not indicative of the Group's operating performances, and the items may change from year to year, including (i) government grants, (ii) a combined effect for loss from held for trading investments, (iii) dividend income from held for trading investments and (iv) share-based payments.

OPERATIONAL DATA

	At the end of school year				
	2013/2014	2014/2015	2015/2016	2016/2017	**2017/2018**
Total student enrolment	13,513	16,078	19,334	26,088	**33,478**
Total number of schools	33	40	46	60	**82**
Estimated total capacity for students	22,490	26,090	30,040	38,660	**51,715**
Overall utilisation rate	60.1%	61.6%	64.4%	67.5%	**64.7%**

ASSETS AND LIABILITIES

	At 31 August				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Non-current assets	1,437,006	1,660,364	1,941,628	2,672,680	**3,005,907**
Current assets	570,699	1,155,639	1,284,696	1,744,238	**2,790,223**
Current liabilities	962,382	982,121	1,183,564	1,566,413	**1,866,728**
Net current assets/(liabilities)	(391,683)	173,518	101,132	177,825	**923,495**
Total assets less current liabilities	1,045,323	1,833,882	2,042,760	2,850,505	**3,929,402**
Total equity	467,234	1,812,294	2,021,485	2,501,518	**3,691,829**
Non-current liabilities	578,089	21,588	21,275	348,987	**237,573**
Total equity and non-current liabilities	1,045,323	1,833,882	2,042,760	2,850,505	**3,929,402**

	At 31 August				
Selected Major Items	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Property and equipment	1,218,897	1,397,751	1,505,847	1,814,438	**2,105,782**
Bank balances and cash	380,332	1,022,141	1,237,902	1,649,296	**2,220,694**
Bank borrowings	223,500	–	–	424,146	**431,338**
Deferred revenue	500,231	660,138	802,848	1,008,348	**1,168,873**

	At 31 August				
Liquidity	2014	2015	2016	2017	**2018**
Gearing ratio (Note 2)	47.8%	–	–	17.0%	**11.7%**

Note 2
The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

FIVE-YEAR FINANCIAL SUMMARY

OPERATING CASH FLOWS

	Year ended 31 August				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Net cash from operating activities	313,253	444,039	532,877	698,681	**750,359**

CAPITAL EXPENDITURES

	Year ended 31 August				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Purchase of property and equipment	110,765	212,259	146,713	224,071	**214,445**

DIVIDEND PER SHARE

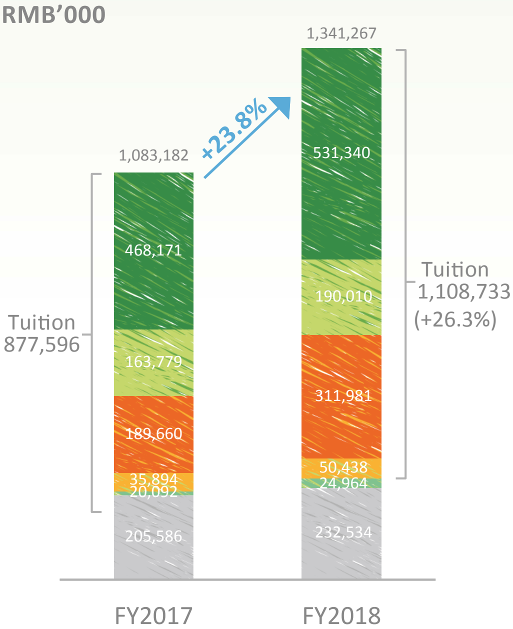
	Year ended 31 August				
	2014 HK$ cents	2015 HK$ cents	2016 HK$ cents	2017 HK$ cents	**2018** **HK$ cents**
Interim dividend	–	1.3	2.1	3.0	**4.0**
Final dividend	–	2.2	2.9	4.3	**5.1**
Special dividend	–	1.4	–	–	**–**
Total	–	4.8	5.0	7.3	**9.1**

FINANCIAL AND OPERATIONAL HIGHLIGHTS

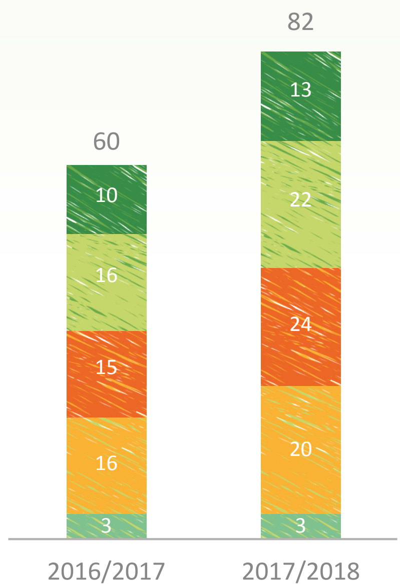
For the year ended 31 August 2018

REVENUE BY CATEGORY

RMB'000

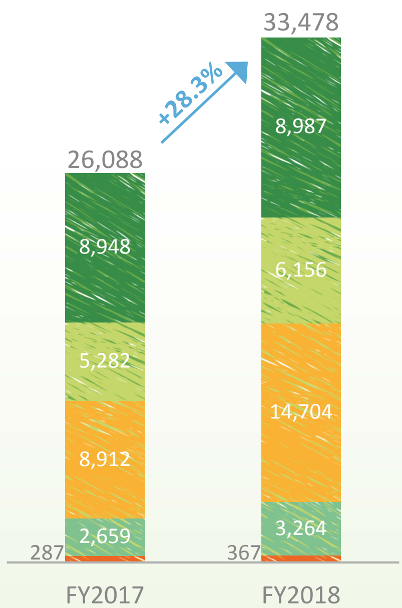


NUMBER OF SCHOOLS BY CATEGORY



High school | Middle school | Elementary school
Preschool | Foreign nationals school | Others

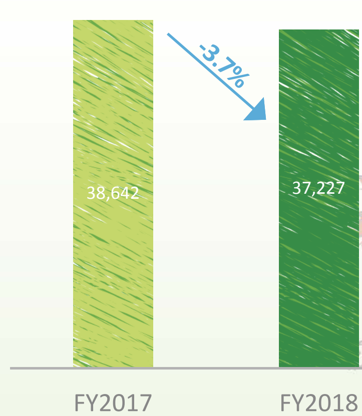
STUDENT ENROLMENT



High school | Middle school | Elementary school
Preschool | Foreign nationals school

AVERAGE TUITION FEE PER STUDENT

RMB



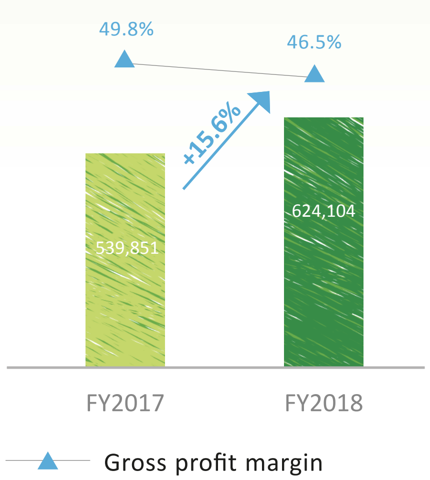
Calculated by dividing total tuition fees for the year over average total student enrolment during the year

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the year ended 31 August 2018

GROSS PROFIT AND MARGIN

RMB'000



ADJUSTED NET PROFIT AND MARGIN

RMB'000

NUMBER OF TEACHERS AND STUDENT-TEACHER RATIO

SCHOOL CAPACITY AND UTILIZATION

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

A Pathway to Overseas Universities for Children of Middle-Class Families in China

In China, many middle-class parents today are well-educated and well-travelled, with an international vision. These parents consider studying in international schools as a pathway to overseas universities for their children. They realise the importance of an all-round education to the personal development of their children. These parents consider that international schools usually put more emphasis on critical thinking, advanced learning and the creativity of students and provide a joyful learning environment with pastoral care for their children.

Increasing Demand for Bilingual International Schools in China

Chinese parents generally believe that international schools in China that place a strong emphasis on teaching English better prepare their children for overseas education in English-speaking countries. They also realise that the influence of China on the global economy is becoming more and more important. Therefore, if their children receive a bilingual education in China, followed by university studies in an English-speaking country, their children will be better equipped with the language and cultural skills that can open the doors to better job opportunities in China and internationally.

Although China's economy may not grow as quickly as in previous years, the slower pace of the growth has not reduced the desire of middle-class parents to send their children to bilingual international schools as they generally believe that a high-quality education is a worthwhile investment in the future of their children.

Classification of International Schools in China

International schools in China are generally divided into the following categories:

1. Foreign nationals schools are only allowed to provide preschool to grade 12 ("**K-12**") education to children of foreign nationals who have permits for residence in China. These schools are not allowed to enrol the children of Chinese nationals. The selection of curriculum is determined by the schools themselves. Foreign nationals schools may be established by foreign institutions, foreign invested enterprises established in China, branches of international organizations in China or foreign individuals residing in China.

2. Sino-foreign joint venture high schools or preschools are primarily intended for Chinese nationals and are also allowed to enrol foreign nationals. They are formed through cooperation between Chinese educational institutions and foreign educational institutions, the latter of which can only own less than 50% of the joint venture. These Sino-foreign joint ventures cannot own or operate middle and elementary schools.

3. Domestic Chinese-owned schools are permitted to provide a foreign curriculum in high school (grade 10 to 12) and are able to enrol children of both Chinese nationals and foreign nationals. However, these schools must provide the Chinese compulsory curriculum at middle school (grade 7 to 9) and elementary school (grade 1 to 6) levels. There is no mandatory national curriculum at preschool level.

Except for the Group's foreign nationals schools and Dalian Maple Leaf International School (High School) which is a Sino-foreign joint venture private school, the Group's schools are domestic Chinese-owned schools.

The Group's Market Position

With over 23 years' experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering a high quality, bilingual K-12 education combining the merits of both Western and Chinese educational philosophies. The Group's high schools are certified by both the Ministry of Education of British Columbia, Canada ("**BC**") and the Chinese educational authorities, which allow the Group's graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, all of the Group's high schools and Maple Leaf Educational Systems have been accredited by AdvancED, the largest school accreditation agency in the United States of America. The Group's middle and elementary schools provide Chinese compulsory education with English enhancement classes to the Group's students. The Group's preschools provide a game-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems Limited.

The Group's schools charge affordable and competitive tuition fees. The Group targets mainly Chinese students from middle-class families in China who intend to study at overseas universities. The Group operates all of its schools under the "Maple Leaf" brand, most of which are located in second and third-tier cities in China (With the exception of Shanghai and Shenzhen being first-tier cities).

BUSINESS REVIEW

The 2017/2018 school year was the third year of the Group's fifth five-year plan from 2015/2016 to 2019/2020 school years ("**Fifth Five-year Plan**"). At the end of the 2017/2018 school year, the Group's student enrolment was 33,478, which exceeded the expected target student enrolment set for the 2017/2018 school year under the Fifth Five-year Plan.

In 2015/2016 school year, the Group first launched its MLES Global Top 100 University Guide ("**MLES Guide**") based on well recognized international rankings, such as QS, US News and MacLean's. The Group believes that the MLES Guide is suitable for the majority of its students who aim for English-language universities. For the year ended 31 August 2018, the Group had 2,146 high school graduates, 99 of whom received offers from top 10 universities in the world, including Imperial College London and University College London, while 1,481 graduates, being more than 69.0% of the total, received offers from at least one of the MLES Global Top 100 universities.

Revenue

	Year ended 31 August			
	2018 RMB'000	**% of Total**	2017 RMB'000	% of Total
Tuition fees				
– High school	**531,340**	**39.6**	468,171	43.2
– Middle school	**190,010**	**14.2**	163,779	15.1
– Elementary school	**311,981**	**23.2**	189,660	17.5
– Preschool	**50,438**	**3.8**	35,894	3.3
– Foreign nationals school	**24,964**	**1.9**	20,092	1.9
	1,108,733	**82.7**	877,596	81.0
Textbooks	**44,161**	**3.3**	38,379	3.5
Summer and winter camps	**50,672**	**3.8**	54,330	5.1
Other educational services	**47,812**	**3.6**	45,718	4.2
Others	**89,889**	**6.6**	67,159	6.2
Total	**1,341,267**	**100**	1,083,182	100

For the year ended 31 August 2018, tuition fees remained the major revenue contributor. The proportion of high school tuition fees for the year ended 31 August 2018 decreased while the respective proportion of middle and elementary school tuition fees increased, largely due to the revenue contribution from the newly opened 6 middle schools and 9 elementary schools in the 2017/2018 school year.

Tuition fees generally include boarding fees, which are mainly paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. Tuition fees are recognized as revenue proportionately over the relevant school year. For the 2017/2018 school year, the Group's high schools charged tuition fees ranging between RMB49,000 and RMB198,000. Tuition fees increased by RMB231.1 million or 26.3%, primarily due to an increase in student enrolment and an increase in the tuition fee rates charged for the new students enrolled in certain schools for the 2017/2018 school year.

Revenue from others increased by RMB26.9 million, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Student Enrolment

	At the end of school year			
	2017/2018	**% of Total**	2016/2017	% of Total
High school	**8,987**	**26.8**	8,948	34.3
Middle school	**6,156**	**18.4**	5,282	20.2
Elementary school	**14,704**	**43.9**	8,912	34.2
Preschool	**3,264**	**9.8**	2,659	10.2
Foreign nationals school	**367**	**1.1**	287	1.1
Total number of students enrolled	**33,478**	**100**	26,088	100

The total number of students enrolled at the end of the 2017/2018 school year increased by 7,390, or 28.3%, of which 62.2% came from the new schools opened in the 2017/2018 school year, while the remaining growth came from existing schools.

At the end of the 2017/2018 school year, the proportion of high school students decreased while the aggregate proportions of middle school and elementary school students increased largely due to the additions of 6 middle schools and 9 elementary schools in the 2017/2018 school year. This was in line with the Group's strategic objective of increasing the capacity of the Group's middle schools for the Group's high schools, improving the preparedness of high school entrants and reducing the need for student intake outside the Maple Leaf system.

Average Tuition Fee per Student

	For the year ended 31 August 2018	2017
Tuition fees (RMB'000)	**1,108,733**	877,596
Average student enrolment*	**29,783**	22,711
Average tuition fee per student# (RMB'000)	**37.2**	38.6

* *Average student enrolment is calculated as the average of the total number of students enrolled at the end of two consecutive school years.*

\# *Average tuition fee per student is calculated by dividing tuition fees for the year ended 31 August of the relevant year over average student enrolment.*

Average tuition fee per student slightly decreased by approximately 3.6%, primarily due to the impact of relatively lower tuition fee charged and a large number of student enrolled in the acquired Haikou schools.

The Group's Schools

22 new schools were added to the Group's school network for the year ended 31 August 2018, including a middle school and an elementary school and a preschool in Huzhou, Zhejiang Province, a middle school and an elementary school and a preschool in Liangping, Chongqing, a middle school and an elementary school and a preschool in Weifang, Shandong Province, a middle school and an elementary school in Dalian, Liaoning Province, a high school in Xi'an, Shaanxi Province, an elementary school in Yancheng, Jiangsu Province, a high school in Richmond, B.C. Canada, and through acquisition, a middle school, 3 elementary schools and a preschool in Haikou, Hainan Province, a high school, a middle school and an elementary school in Shenzhen, Guangdong Province.

As at 31 August 2018, the Group had 82 schools located in 21 cities in China and Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou, Weifang, Huzhou, Yancheng, Shenzhen, Kamloops and Richmond. The following table shows a summary of the Group's schools by category as at the end of the two financial years:

	As at 31 August	
	2018	2017
High schools	**13**	10
Middle schools	**22**	16
Elementary schools	**24**	15
Preschools	**20**	16
Foreign nationals schools	**3**	3
Total	**82**	60

Utilisation of the Group's Schools

The Group's utilisation rate is calculated as the number of students enrolled divided by the physical capacity for a given school. Except for the Group's preschools and foreign nationals schools, all of the Group's schools are generally boarding schools. For these boarding schools, the capacity for students is calculated based on the number of beds in their dormitories. For the Group's foreign nationals schools, the capacity for students is calculated based on the number of desks in their classrooms. For the Group's preschools, the capacity for students is calculated based on the number of beds used for naps in the schools. As a general rule, a new school takes some time to build its utilisation rate, especially at the high school level.

	As at the end of school year	
	2017/2018	2016/2017
Total number of students enrolled	**33,478**	26,088
Total capacity	**51,715**	38,660
Overall utilisation	**64.7%**	67.5%

Total capacity for students increased primarily due to the addition of 22 new schools at the commencement of the 2017/2018 school year. The decrease in the overall utilisation rate was due to a significant increase in the Group's capacity as the result of the opening of 22 new schools with more than 13,000 additional beds/desks.

The Group's Teachers

	As at the end of school year	
	2017/2018	2016/2017
Total number of teachers	**2,955**	2,288

The Group's student-teacher ratio is around 11:1 and remained relatively stable in the 2017/2018 school year compared to 2016/2017. The total number of teachers increased mainly because more PRC-certified teachers were recruited for the new openings of 3 high schools, 6 middle schools, 9 elementary schools and 4 preschools in the 2017/2018 school year. As at the end of the 2017/2018 school year, the Group had approximately 397 BC-certified teachers compared to 356 at the end of the 2016/2017 school year.

In the 2017/2018 school year, there was no material increase in the salary rates of the Group's teachers.

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 15 October 2018

	As at 15 October 2018	2017	Change	Percentage Change
Total number of students enrolled	**36,564**	28,111	+8,453	+30.1%

The financial year of the Group ends on 31 August each year, while its school year normally runs from the beginning of September each year to the middle of July in the next year and each school year is divided into two terms. The number of students enrolled may vary from time to time in each school year. The above student enrolment numbers at 15 October represent unaudited internal statistics of the total number of students enrolled in the first term in the relevant school year for comparison purpose only.

According to the Group's experience, the Group expects that student enrolment will further increase in the second half of the 2018/2019 school year because some new students are admitted in the second term.

New Schools Opened in China in September 2018

As of 30 September 2018, the Group opened the following 10 new schools in China, the total number of schools increased to 92.

City	Number of schools	Category of schools	Estimated Student Capacity
Xiangyang, Hubei Province	7	Preschools	2,000
Wuhan, Hubei Province	1	Preschool	100
Yancheng, Jiangsu Province	2	High school and middle school	1,650

Yancheng schools were developed using an asset light model, Wuhan school was developed at self-owned campus and Xiangyang schools were developed through acquisition.

Acquisitions in Shenzhen

On 14 December 2017, the Group entered into a share purchase agreement with Yisidun International Education Investment (Shenzhen) Co., Ltd.*(伊思頓國際教育投資(深圳)有限公司) (the "**Shenzhen Company**") in relation to the acquisition of 55% equity interest (the "**Shenzhen Acquisition**") in the Shenzhen Company at a total consideration of RMB89,045,000 (equivalent to approximately HK$104,921,724). The Shenzhen Company owns 100% of the equity interest in the Shenzhen Yisidun Longgan School*(深圳市伊思頓龍崗書院). The Shenzhen Acquisition was completed in January 2018. This is the Group's first Maple Leaf school in Shenzhen as well as Guangdong Province which provides an opportunity for the Group to establish strategic presence and to build brand awareness in one of China's top-tier cities and most developed areas and to further expand its school network in other cities in Guangdong-Hong Kong-Macau Greater Bay Area in the future. For details of Shenzhen Acquisition, please refer to the Company's announcement dated 14 December 2017.

Acquisitions in Haikou

On 25 January 2018, the Group entered into a share purchase agreement (the "**Meishe Qianyan Agreement**") with Haikou Meishe Jiaohui Educational Technology Co., Ltd.* (海口美舍交慧教育科技有限公司) ("**Meishe Jiaohui**") and Haikou Meishe Qianyan Educational Management Co., Ltd.* (海口美舍前沿教育管理有限公司) ("**Meishe Qianyan**") in relation to the acquisition of 100% equity interest in Meishe Qianyan at a total consideration of RMB90,000,000 (equivalent to approximately HK$110,415,900) (subject to any adjustment as set out in the Meishe Qianyan Agreement).

Meishe Jiaohui is primarily engaged in the investment in and management of education business. Meishe Qianyan is a company established in the PRC with limited liability and principally engaged in the operation of Haikou Meishe School* (海口美舍學校) ("**Meishe School**"), a boarding school providing elementary and middle school service located in Haikou City in Hainan Province, which is a private non-enterprise organization wholly-owned by Meishe Qianyan. Meishe School has an enrolment of approximately 1,550 students.

On 25 January 2018, the Group entered into a share purchase agreement (the "**Meiwen Qianyan Management Agreement**") with Haikou Meiwen Qianyan Educational Technology Co., Ltd.* (海口美文前沿教育科技有限公司) ("**Meiwen Qianyan Technology**") and Haikou Meiwen Qianyan Educational Management Co., Ltd.* (海口美文前沿教育管理有限公司) ("**Meiwen Qianyan Management**") in relation to the acquisition of 100% equity interest in Meiwen Qianyan Management at a total consideration of RMB30,000,000 (equivalent to approximately HK$36,805,300) (subject to any adjustment as set out in the Meiwen Qianyan Management Agreement).

Meiwen Qianyan Technology is primarily engaged in the investment in and management of education business. Meiwen Qianyan Management is a company established in the PRC with limited liability and principally engaged in the operation of Haikou Meiwen School* (海口美文學校) ("**Meiwen School**"), a boarding school providing elementary school service located in Haikou City in Hainan Province, which is a private non-enterprise organization wholly-owned by Meiwen Qianyan Management. Meiwen School has an enrolment of approximately 950 students.

On 25 January 2018, the Group entered into a share purchase agreement (the "**Changchunteng Qianyan Agreement**") with Haikou Changyu Educational Technology Co., Ltd.* (海口常育教育科技有限公司) ("**Changyu**") and Haikou Changchunteng Qianyan Educational Management Co., Ltd.* (海口常春藤前沿教育管理有限公司) ("**Changchunteng Qianyan**") in relation to the acquisition of 100% equity interest in Changchunteng Qianyan at a total consideration of RMB15,000,000 (equivalent to approximately HK$18,402,650) (subject to any adjustment as set out in the Changchunteng Qianyan Agreement).

Changyu is primarily engaged in the investment in and management of education business. Changchunteng Qianyan is a company established in the PRC with limited liability and principally engaged in the operation of Haikou Changchunteng Kindergarten* (海口常春藤幼兒園) ("**Changchunteng Kindergarten**"), a kindergarten located in Haikou City in Hainan Province, which is a private non-enterprise organization wholly-owned by Changchunteng Qianyan. Changchunteng Kindergarten has an enrolment of approximately 250 students.

On 25 January 2018, the Group entered into a share purchase agreement (the "**Meihua Qianyan Agreement**") with Haikou Meizhi Huakong Educational Technology Co., Ltd.* (海口美智華控教育科技有限公司) ("**Meizhi Huakong**") and Haikou Meihua Qianyan Educational Management Co., Ltd.* (海口美華前沿教育管理有限公司) ("**Meihua Qianyan**") in relation to the acquisition of 100% equity interest in Meihua Qianyan at a total consideration of RMB10,000,000 (equivalent to approximately HK$12,268,433) (subject to any adjustment as set out in the Meihua Qianyan Agreement).

Meizhi Huakong is primarily engaged in the investment in and management of education business. Meihua Qianyan is a company established in the PRC with limited liability and principally engaged in the operation of Haikou Meihua School* (海口美華學校) ("**Meihua School**"), a boarding school providing elementary school service located in Haikou City in Hainan Province, which is a private non-enterprise organization wholly-owned by Meihua Qianyan. Meihua School has an enrolment of approximately 510 students.

On 25 January 2018, the Group entered into a share purchase agreement (the "**Meicheng Qianyan Agreement**") with Haikou Meicheng Zhishu Educational Technology Co., Ltd.* (海口美成智術教育科技有限公司) ("**Meicheng Zhishu**") and Haikou Meicheng Qianyan Educational Management Co., Ltd.* (海口美成前沿教育管理有限公司) ("**Meicheng Qianyan**") in relation to the acquisition of 100% equity interest in Meicheng Qianyan at a total consideration of RMB5,000,000 (equivalent to approximately HK$6,134,217) (subject to any adjustment as set out in the Meicheng Qianyan Agreement).

Meicheng Zhishu is primarily engaged in the investment in and management of education business. Meicheng Qianyan is a company established in the PRC with limited liability and principally engaged in the operation of Haikou Youth Service Center* (海口市青少年服務中心) ("**Youth Center**"), a youth service center located in Haikou City in Hainan Province, which is a private non-enterprise organization wholly-owned by Meicheng Qianyan. Youth Center has a capacity of providing training courses to students 10,000 times per year.

Upon completion of the aforementioned acquisitions, the Group will assume operation of Meishe School, Meiwen School, Changchunteng Kindergarten, Meihua School and Youth Center in Haikou City, Hainan Province. This provides an opportunity for the Group to strengthen its strategic presence and to build brand awareness in Hainan province and lay a solid foundation for the Hainan educational district. For details of these acquisitions, please refer to the Company's announcement dated 25 January 2018. As at the date of this report, these acquisitions have been completed.

Acquisition in Xiangyang

On 29 August 2018, the Group entered into two separate agreements with Shanghai Pengxing Enterprise Management Consulting Service Partnership (Limited Partnership)* (上海鵬星企業管理諮詢服務合夥企業（有限合夥）) ("**Vendor A**") and Shanghai Pengyue Enterprise Management Consulting Partnership (Limited Partnership)* (上海鵬躍企業管理諮詢合夥企業（有限合夥）) ("**Vendor B**") in relation to the acquisition of 100% equity interest in Xiangyang Junpeng Education Consulting Company Limited* (襄陽君鵬教育諮詢有限公司) (the "**Xiangyang Company**") at a total consideration of RMB130,000,000 (equivalent to approximately HK$149,903,000) (subject to any adjustment as set out in the agreements). As at the date of the acquisitions, Vendor A and Vendor B each owns 50% of the equity interest in the Xiangyang Company respectively. The Xiangyang Company wholly owns seven kindergartens (the "**Kindergartens**") with student enrollment of approximately 1,380 and three owned campuses of 5,120 sqm, located in Xiangyang City, Hubei Province, PRC.

Upon completion of the above acquisitions, the Group will assume operation of the Kindergartens in Xiangyang City. With the Group's elementary school in Xiangyang City expected to be opened in September 2019, which will be operated in cooperation with the local government, the Kindergartens would help the Group to secure a steady source of students for the elementary school. The above acquisition also provide an opportunity for the Group to build brand awareness in a developing city and to further expand its school network in Hubei Province. The addition of the Kindergartens to the Group's school network will create synergies with the elementary school and thereby enhance the profitability of the Group and strengthen its position in the education industry in China. As at the date of this report, the acquisitions have not been completed.

FUTURE DEVELOPMENT

The Fifth Five-Year Plan from 2015/2016 to 2019/2020 School Years

The school year of 2017/2018 is the third year of the Group's Fifth Five-year Plan. In order to achieve the amended target student enrolment of over 45,000 by the end of the 2019/2020 school year under the Fifth Five-year Plan, the Group will continue to work towards the Group's strategic expansion from stand-alone schools to educational parks and from educational parks to school districts in China. During 2017/2018 school year, the Group's Hainan Maple Leaf Educational School District was established. The Group expects to set up three more educational districts in Liaoning, Wuhan and Tianjin at the end of the Fifth Five-year Plan.

Expansion Strategies

The Group will continue to adopt multiple expansion strategies including but not limited to building more asset-light schools, acquisitions of schools with synergy to the Group and an expansion of certain self-owned school campuses to achieve high utilisation rates in both PRC and overseas. The enforcement of the amended Law for Promoting Private Education and the two-child policy creates a good opportunity for the vigorous growth of student enrolment.

Expansion of Student Capacity for Self-owned School Campus

Driven by strong student placement, Wuhan campus was overall fully utilised as at 30 September 2018. Before the commencement of the 2018/2019 school year, the Group completed the construction of additional teaching buildings in order to expand the corresponding capacity for students and capacity for 1,000 students is expected to be added at the commencement of the 2020/2021 school year in Wuhan.

New Schools' Development under Pipeline in China

The Group is under negotiations with local government or other entities for opening more asset-light schools in China. The Group is planning to open high schools in more first-tier cities, including Beijing, and is exploring some relevant potential opportunities to open middle and elementary schools in second and third-tier cities.

Overseas Expansion

Overseas expansion is part of the Group's long-term growth strategy. The Group believes that a global presence of Maple Leaf brand schools will definitely help the Group's student intake in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational options for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions such as North America, Australia and Southeast Asia. Accordingly, the Group will explore opportunities for opening more Maple Leaf brand bilingual schools outside mainland China such as Canada, Southeast Asia and Hong Kong, where there is a demand for blending the best of Western and Chinese cultures.

Following the release of the PRC Government's strategic paper titled "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road", and that of the Ministry of Education titled "Jointly Building the Belt and Road", the Group has completed a feasibility report (currently version 2.0), on the establishment of Maple Leaf International Schools along the Belt and Road, and is now actively exploring this concept with relevant government agencies, think tanks and investment groups for the purpose of determining whether there are opportunities for forming partnerships. The Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL programs, it is well positioned to meet the demand for quality international K-12 education along the Belt and Road.

Upon graduation from the Group's high schools, Maple Leaf students are admitted into a wide range of international universities principally in Canada, Australia, the United Kingdom, the United States and Switzerland. The Group opened a second Maple Leaf University School on the campus of Kwantlen Polytechnic University in Richmond, BC, in September 2017.

As interest to study in Australia among the Group's students has increased rapidly, on 27 March 2018, the Group signed an agreement with the University of South Australia ("**UniSA**") to establish the first Maple Leaf University School in Australia. Maple Leaf University School is expected to be opened in February 2019 at Mawson Lakes Campus of UniSA. UniSA is one of the leading universities in Australia and is ranked among the Top 50 young universities worldwide by both QS and Times Higher Education.

Project New Sprouts

Ensuring an adequate supply of quality school principals is a critical element for success in the Group's expansion process. In this regard, the Group has maintained strategic cooperative collaboration with several well-known universities in China, including Beijing Normal University, Northeast Normal University, Central China Normal University, Beijing Foreign Studies University and Wuhan University, from which the Group's schools recruit their master degree graduates with outstanding performance as the Group's trainee principals. After two years study and on-the-job practicum, 12 successful trainees have been appointed for various positions at Maple Leaf middle and/or elementary schools.

MLES Future STEM Teacher Program

In collaboration with Thompson Rivers University and Lakehead University in Canada, and UniSA in South Australia, certain graduates from the Group's high schools who meet the university requirements will be trained to earn their university degrees and their BC teaching certificates. These graduates will be recruited and compensated by the Group's high schools as BC-certified teachers once they have obtained the required qualifications. This will provide an additional source of recruitment of BC-certified teachers to meet the future demand from the Group's high schools.

Other Talent Strategies

Two-year in-service training is an important platform for the Group's executives' continuous development. This continuous training program nurtured a large number of outstanding executives, including school principals, for the Group. The Maple Leaf "1+5" leadership team equips and operates new Maple Leaf schools with the Group's new model and new experience. The Educational Management and Leadership Master's Program at Royal Roads University enables executive candidates to embark on management careers and take on greater responsibilities in Maple Leaf in the future. The first two cohorts have successfully completed this program and the third cohort is being actively recruited across the Group.

Conclusion

With the support of its dedicated management team, the Group is confident that it is able to maintain its leading position as a K-12 international school operator in China, expand its school network inside and outside China and provide quality educational services to the society.

OTHER UPDATE

Latest Development of the Implementation Rules for the Law for Promoting Private Education

Interpretation of the major terms of the Draft for Review

On 10 August 2018, the Ministry of Justice issued the "Implementation Rules for the Law for Promoting Private Education of the People's Republic of China (Revised Draft) (Draft for Review)" (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) (the "**Draft for Review**") for public consultation. The Draft for Review outlines the detailed implementation measures for the top-level design of the classified management system of the higher level law of the Law for Promoting Private Education, which helps to regulate and facilitate the classified management, classified support and classified development of the private education in China, with an aim to promoting the distinctive and quality development of the private education by catering to the diversified and selective demands of different families for education in the new era.

The Draft for Review proposes certain restrictive measures such as "contractual arrangements", "education groups" and "related transactions" to protect the legitimate interests and rights of the non-profit schools, particularly safeguarding the property interest of the non-profit schools and preventing the improper transfer of the operation revenue of the non-profit schools. These restrictive regulations represent the acknowledgement of the objective existence of "education groups" and "related transactions" by the government, and also set out regulatory principles without detailed regulatory measures, which shall be implemented by the local governments through system innovation according to the development of their respective local economy and private education after the passing of the Implementation Rules.

While strengthening the regulation of the private schools, the Draft for Review specifies that private schools shall be entitled to tuition fee autonomy and tax preference policies enjoyed by the public schools, which will be beneficial to the operation of schools operated by entities under the listed education groups. The new law allows the private schools to enroll students from various regions after filing with the relevant authorities, which will not only enlarge the coverage of recruitment regions of the private schools but also enrich their student sources, contributing to the increase of the number of enrolled students of such schools.

The Draft for Review proposes classified reform on existing private schools, which shall be conducted in a smooth and orderly manner after taking into consideration of the history and actual situation of such schools.

After the issue of the Draft for Review on 10 August, some local governments such as Sichuan and Wenzhou have issued their own Local Implementation Rules for the Law for Promoting Private Education, with an aim to encouraging the expansion of resources to develop quality private education, enlarging the operation scale of the schools and realizing the group-oriented development of private schools, which represents the initial legislation intention by the state and local governments to encourage the healthy development of private education.

Maple Leaf Education sticking to the group-oriented development strategy in view of huge potential in the international education market

Maple Leaf Education always sticks to the strategy of rich connotation, brand image, distinctive characteristics as well as quality development, which is in line with the development guideline for private schools stipulated by the new law and new policies. With the further implementation of economic reform in China, international education plays an increasingly greater role in supporting the development of the city's economy. Maple Leaf Education expects to explore greater market potential in anticipation of increased market share of the international education.

For future development, Maple Leaf Education has basically completed the development layout for its "Fifth Five-Year Plan", and has made steady progress in overseas development. There is still room for improvement in the utilization of school resources within the Group, providing promising prospect for endogenous development. Endorsed by its sophisticated management system and curriculum system modes and stable school operation capability, Maple Leaf Group represents a favourable brand choice for cooperation with the government in school operation. The preschools under Maple Leaf Group stick to a distinctive and high-end development direction, in order to cater the diversified and selective demands of the society.

FINANCIAL REVIEW

Revenue

The Group derives revenue mainly from tuition fees for the Group's high schools, middle schools, elementary schools, preschools and foreign nationals schools, the sale and lease of textbooks and other educational materials to the Group's students, revenue from fees for the Group's summer and winter camps, revenue from other educational services and revenue from others including revenue from self-operated supermarkets, provision of school uniforms and fees from providing other services.

Total revenue of the Group increased by RMB258.1 million, or 23.8%, from RMB1,083.2 million for the financial year ended 31 August 2017 to RMB1,341.3 million for the financial year ended 31 August 2018. The increase was primarily due to an increase in revenue from tuition fees by RMB231.1 million and an increase in revenue from others by RMB26.9 million.

Revenue from tuition fees increased by 26.3% from RMB877.6 million for the financial year ended 31 August 2017 to RMB1,108.7 million for the financial year ended 31 August 2018, primarily due to an increase in student enrolment by 7,390 and an increase in tuition fee rates for the new students enrolled in certain schools. Revenue from others increased by 13.1% from RMB205.6 million for the financial year ended 31 August 2017 to RMB232.5 million for the financial year ended 31 August 2018, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Cost of Revenue

The Group's cost of revenue consists primarily of staff costs, depreciation and amortisation, other training expenses and other costs. Staff costs consist of salaries and benefits paid to the Group's teachers and other teaching staff. Depreciation and amortisation relate to the depreciation of property and equipment and the amortisation of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with the Group's summer and winter camps overseas. Other costs include the Group's daily expenses of operating the Group's schools and facilities, including the utility costs, the cost of furniture at the Group's schools, the cost of maintaining the Group's facilities, the cost of provision of school uniforms and the cost of inventories sold by self-operated supermarkets in the Group's schools.

Cost of revenue increased by RMB173.8 million, or 32.0%, from RMB543.3 million for the financial year ended 31 August 2017 to RMB717.2 million for the financial year ended 31 August 2018. The increase was largely due to an increase in teaching staff costs by RMB121.0 million, an increase in depreciation and amortization by RMB13.8 million, and an increase in other costs by RMB36.1 million.

Teaching staff costs increased by 35.8% from RMB337.9 million for the financial year ended 31 August 2017 to RMB458.9 million for the financial year ended 31 August 2018, primarily due to an increase in the number of teachers from 2,288 as at the end of the 2016/2017 school year to 2,955 as at the end of the 2017/2018 school year and an increase in share-based payments resulting from the grant of share awards to certain teaching staff during the year ended 31 August 2018. Depreciation and amortization increased from RMB48.9 million for the financial year ended 31 August 2017 to RMB62.7 million for the financial year ended 31 August 2018, primarily due to 22 new schools were added to the Group's school network for the year ended 31 August 2018. Other costs increased from RMB117.7 million for the financial year ended 31 August 2017 to RMB153.8 million for the financial year ended 31 August 2018, primarily attributable to an increase in the cost of provision of school uniforms.

Gross Profit

As a result of the foregoing, gross profit increased by 15.6% from RMB539.9 million for the financial year ended 31 August 2017 to RMB624.1 million for the financial year ended 31 August 2018. The Group's gross margin decreased from 49.8% for the financial year ended 31 August 2017 to 46.5% for the financial year ended 31 August 2018 mainly due to the increased teaching staff costs in percentage of revenue.

Investment and Other Income

Investment and other income consist mainly of interest income from pledged bank deposits and term deposits, rental income from investment properties and government grant. Investment and other income increased by 20.5% from RMB45.0 million for the financial year ended 31 August 2017 to RMB54.3 million for the financial year ended 31 August 2018. The increase was primarily attributable to an increase in dividends income from held for trading investments by RMB2.8 million due to better return gained from held for trading investments.

Other Gains and Losses

Other gains and losses consist primarily of net foreign exchange gain, loss from changes in fair value of held for trading investments and reversal of other payables. Other gains and losses increased by 55.6% from a gain of RMB48.7 million for the financial year ended 31 August 2017 to a gain of RMB75.7 million for the financial year ended 31 August 2018. The increase was primarily attributable to the combined effects of i) an increase in net foreign exchange gain by RMB29.2 million, ii) a loss from changes in fair value of held for trading investments of RMB12.9 million, and iii) an increase in a gain on the reversal of other payables by RMB17.9 million.

Marketing Expenses

The majority of marketing expenses comprises of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Marketing expenses also include salaries and benefits for personnel engaged in sales and marketing activities. Marketing expenses remained stable for the financial year ended 31 August 2017 and 2018, and marketing expenses as a percentage of total revenue slightly increased from 2.7% for the year ended 31 August 2017 to 3.0% for the year ended 31 August 2018.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, share-based payments and certain professional expenses. Administrative expenses remained stable for the financial year ended 31 August 2017 and 2018. However, administrative expenses as a percentage of total revenue decreased from 14.3% for the financial year ended 31 August 2017 to 11.6% for the year ended 31 August 2018 as a result of the Group's effective cost control measures.

Finance Costs

Finance costs consist primarily of the interest expenses for the Group's bank borrowings and banking facilities. Finance costs increased from RMB8.0 million for the financial year ended 31 August 2017 to RMB10.6 million for the financial year ended 31 August 2018 as interest rate for the bank borrowings increased during the year ended 31 August 2018.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB547.9 million for the financial year ended 31 August 2018 and RMB440.7 million for the financial year ended 31 August 2017. Profit before taxation as a percentage of revenue of the Group was 40.8% for the financial year ended 31 August 2018, compared to 40.7% for the financial year ended 31 August 2017.

Taxation

Income tax expense of the Group decreased from RMB26.9 million for the financial year ended 31 August 2017 to RMB9.5 million for the financial year ended 31 August 2018, mainly due to the reversal of the deferred tax liabilities which have been accrued in previous years. The effective tax rate of the Group for the financial years ended 31 August 2018 and 2017 was 1.7% and 6.1%, respectively.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 30.1% from RMB413.7 million for the financial year ended 31 August 2017 to RMB538.4 million for the financial year ended 31 August 2018.

Adjusted Net Profit

Adjusted net profit was derived from the profit for the year after adjusting for those non-recurring items which are not indicative of the Group's operating performances. The following table reconciles profit for the year to adjusted net profit for both financial years:

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**538,403**	413,723
Add:		
Dividend income from held for trading investments	**(2,934)**	–
(Loss) gain from changes in fair value of held for trading investments	**12,853**	(3,497)
Government grant	**(5,166)**	(5,906)
Share-based payments	**56,924**	23,644
Adjusted net profit	**600,080**	427,964

Adjusted net profit margin increase from 39.5% for the year ended 31 August 2017 to 44.7% for the year ended 31 August 2018, primarily due to the combined effects of the increase in revenue and the decrease in administrative expenses as a percentage of revenue as mentioned above.

Capital Expenditures

For the year ended 31 August 2018, the Group paid RMB214.4 million for property and equipment primarily related to the buildings for certain schools in Pingdingshan, Henan Province, Haikou, Hainan Province and Chongqing. For the year ended 31 August 2017, the Group paid RMB224.1 million for property and equipment primarily related to the buildings of schools in Tianjin (Teda), Chongqing and Pingdingshan, Henan Province.

Liquidity, Financial Resources and Capital Structure

The following table sets forth a summary of the Group's cash flows for the two financial years:

	Year ended 31 August	
	2018	2017
	RMB'000	RMB'000
Net cash from operating activities	**750,359**	698,681
Net cash used in investing activities	**(758,129)**	(563,893)
Net cash from financing activities	**544,268**	282,049
Net increase in cash and cash equivalents	**536,498**	416,837
Cash and cash equivalents at 1 September	**1,649,296**	1,237,902
Effect of foreign exchange rate changes	**34,900**	(5,443)
Cash and cash equivalents at 31 August	**2,220,694**	1,649,296

As at 31 August 2018, the Group's bank balances and cash amounted to RMB2,220.7 million, of which the majority were denominated in RMB. During the financial year ended 31 August 2018, the Group's bank loans amounting to RMB431,338,000 (31 August 2017: RMB424,146,000) which are secured by pledged bank deposits of RMB245,000,000 of a group company, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Hillside. The loans carry interest at variable interest rates from 1.32% to 3.34% (31 August 2017: 1.14% to 2.77%) per annum.

The Group expects that its future capital expenditures will primarily be financed by its internal resources.

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. Gearing ratio decreased from 17.0% for the year ended 31 August 2017 to 11.7% for the year ended 31 August 2018 primarily due to the placing and subscription of 110,000,000 shares of the Company conducted during the year ended 31 August 2018.

Placing and Subscription

Pursuant to the Placing Agreement dated 11 January 2018, Sherman Investment Holdings Limited ("**Sherman Investment**") placed 110,000,000 shares at a placing price of HK$9.1 per share to not less than six placees which are professional, institutional and/or other investors, who and whose ultimate beneficial owners are independent third parties on 16 January 2018. Pursuant to the Subscription Agreement dated 11 January 2018, Sherman Investment subscribed for and was allotted 110,000,000 shares at a subscription price of HK$9.1 per share by the Company on 17 January 2018. The gross fund raised was HK$1,001 million and the net proceeds was approximately HK$989.5 million, representing a net issue price of approximately HK$9.0 per share. The closing price as quoted on the Stock Exchange on 11 January 2018 was HK$9.87 per share. The net proceeds are applied as cash reserves for potential overseas acquisitions and other general corporate purposes to expand and enhance the existing business of the Company.

The Board (including the independent non-executive Directors) consider that the Placing and the Subscription will strengthen the capital base and the financial position of the Company. Hence, the Board decided to conduct the Placing and the Subscription to raise fund.

The number of Shares and the share prices disclosed above have not considered the effect of Share Subdivision that became effective on 9 July 2018.

Share Subdivision

On 23 May 2018, the Board proposed to implement a share subdivision by subdividing every one existing issued and unissued share of the Company with par value of USD0.001 each in the share capital of the Company into two subdivided shares with par value of USD0.0005 each (the "**Share Subdivision**"). The Share Subdivision was approved by the shareholders of the Company at an extraordinary general meeting held on 6 July 2018 and became effective on 9 July 2018. The authorized share capital of the Company becomes USD4,000,000 dividend into 8,000,000,000 subdivided shares, of which 2,979,184,878 shares are in issue and are credited as fully paid.

The Board believes that the Share Subdivision will improve the liquidity in trading of the shares in the Company and thereby attract more investors and widen the Company's Shareholders' base.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in foreign currencies such as HK$, USD, CAD and SGD. As at 31 August 2018, certain bank balances were denominated in HK$, USD, CAD and SGD. The Group did not enter into any financial instrument for hedging purposes as it is expected that its foreign exchange exposure will not be material.

Contingent Liabilities

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement (the "**Agreement**") between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case now proceeds to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. Zhixin Case is still in the process of filing pleadings by both parties.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 31 August 2018, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed above has not considered the effect of share subdivision that became effective on 9 July 2018.

Pledge of Assets

As at 31 August 2018, the Group pledged total bank deposits of RMB245.0 million and the investment properties acquired in Singapore to certain licensed banks for certain banking facilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed above, during the year ended 31 August 2018, the Group did not have any material acquisition and disposal of subsidiaries.

SIGNIFICANT INVESTMENT HELD

As at 31 August 2018, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 31 August 2018, the Group had 5,369 (2017: 4,513) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a pre-IPO share option scheme, a post-IPO share option scheme and a share award scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, results and performance of the Group and relevant market conditions. Total employee remuneration (excluding directors' remuneration) for the year ended 31 August 2018 amounted to RMB584.1 million (2017: RMB442.1 million).

DIRECTORS AND SENIOR MANAGEMENT

OUR BOARD OF DIRECTORS

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	64	Executive Director, Chairman of the Board, CEO and President of China Operations	June 2007
Jingxia Zhang	61	Executive Director, Senior Vice President and CFO	March 2008
James William Beeke	68	Executive Director, Vice President and Superintendent of Global Education (other than PRC)	April 2014 (2)
Howard Robert Balloch	67	Non-executive Director and Vice Chairman of the Board	March 2008
Peter Humphrey Owen	71	Independent Non-executive Director	June 2014 (1)
Xiaodan Mei	54	Independent Non-executive Director	August 2017
Lap Tat Arthur Wong	58	Independent Non-executive Director	June 2014 (1)

Notes:

(1) *Effective from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 November 2014.*

(2) *Mr. James William Beeke worked for the Group from 2005 to 2009 and again from 2014 up to now, he was appointed as Director from 12 March 2008 to 20 January 2010 and reappointed on 25 April 2014.*

Executive Directors

Shu Liang Sherman Jen ("Mr. Jen"), aged 64, is our controlling Shareholder (the "**Controlling Shareholder**") and founder. Mr. Jen was appointed as a Director in June 2007 and was re-designated as an executive Director and was appointed as chairman of the nomination and corporate governance committee of our Company, both taking effect on 28 November 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. He has been the chairman of the Board, CEO of our Company since 2007, and co-chief executive officer ("**Co-CEO**") since March 2014. Mr. Jen was re-designated as CEO on 15 August 2016 following the resignation of the other Co-CEO and was appointed as the president of China operations on 1 September 2016.

Mr. Jen is also the president of Dalian Maple Leaf International School, a subsidiary of the Company, since 1995, the chairman of Dalian Maple Leaf Educational Group Co., Ltd., a consolidated affiliated entity, since 2003, and the director of Maple Leaf Educational Systems Limited, a subsidiary of the Company, since 1992, Tech Global Investment Limited, a subsidiary of the Company, since 2007, Maple Leaf Education Asia Pacific Limited (formerly known as Hong Kong Maple Leaf Educational Systems Limited), a subsidiary of the Company, since 2009 and Dalian Beipeng Educational Software Development Inc., a subsidiary of the Company, since 2011. His contributions lead us to become one of the leading international school service providers in China.

Mr. Jen has more than 23 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com. In 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC. In 2011, he was honored as one of the "Top Ten Figures of our Time" by a group of media organizations and industry associations. In 2013, he received the Governor General's Medallion from Mr. David Johnston, Governor General of Canada, for his contributions to international education. In October 2014, he received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers, which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of the PRC. Mr. Jen has not held any directorship roles in any other listed companies in the last three years. Mr. Jen is a resident of Hong Kong. Mr. Jen is not a resident of Canada for Canadian taxation purposes.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, United Kingdom in September 2005 and an Honorary Doctor of Laws degree (Hon. LL.D) from Royal Roads University in British Columbia ("BC"), Canada in June 2013.

Jingxia Zhang ("Ms. Zhang"), aged 61, is the senior vice president and was re-designated from co-chief financial officer to chief financial officer of our Company with effect from 16 June 2015. Ms. Zhang was appointed as a Director in March 2008 and was re-designated as an executive Director taking effect on 28 November 2014. Ms. Zhang joined the Group in April 1995 and is primarily responsible for the overall management and financial operations of the schools in our Group. Ms. Zhang is one of the key members of the management team of the Company and has made important contributions to the Group.

Prior to joining our Group, Ms. Zhang was the director of finance of Jilin Province Dunhua City Pharmaceutical Factory, a Chinese pharmaceutical manufacturer, where Ms. Zhang was responsible for managing its accounts and financial operations. Ms. Zhang has not held any directorship roles in any other listed companies in the last three years.

Ms. Zhang received her Financial Accounting diploma by distance learning from Jilin Accounting School, PRC in July 1991.

DIRECTORS AND SENIOR MANAGEMENT

James William Beeke ("Mr. Beeke"), aged 68, is our Director, vice president and superintendent of global education (other than PRC) of the Group. He was appointed as a Director in April 2014 and was re-designated as an executive Director taking effect on 28 November 2014. Mr. Beeke previously served as the vice chairman of the Board and the superintendent of the BC Program of the Group from 2005 to 2009 and again from 2014 to 2016. Mr. Beeke was appointed as the superintendent of global education (other than PRC) of the Group and ceased to be the superintendent of BC program of the Group with effect from 15 August 2016. Mr. Beeke is primarily responsible for overseeing the development of the Group's educational programs outside of the PRC.

Prior to joining our Group, Mr. Beeke was employed by the BC provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government from 1996 to 1998 and from 1998 to 2005, respectively. As inspector, he was responsible for the inspection, certification and funding of all independent schools in the province, and developed and directed BC's Offshore School Certification Program. Since September 2009, he has been president of Signum International Educational Services Inc., a company which provides educational consultant services to schools in Canada and internationally, where he was responsible for assisting schools with board governance and strategic development planning, performing school reviews, conducting principal evaluations and providing analysis and comparisons of provincial curricula. Mr. Beeke has not held any directorship roles in any other listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British Columbia Minister of Education in 1991, Certificates of Recognition from the Chinese Consulate (Vancouver, Canada) and from British Columbia Ministry of Education in June 2005 and Certificate of Honorary Award from Liaoning Provincial Government of PRC in 2006.

Non-executive Director

Howard Robert Balloch ("Mr. Balloch"), aged 67, was appointed as a Director in March 2008 and was re-designated as a non-executive Director and was appointed as a member of the remuneration committee, both taking effect on 28 November 2014. Mr. Balloch is responsible for supervising the overall management and strategic planning of our Group. He was appointed as vice chairman of the Board on 3 January 2017.

Mr. Balloch is a retired Canadian diplomat. Prior to joining our Group, he served as Canadian Ambassador to the PRC and Mongolia from April 1996 to July 2001, and to the Democratic People's Republic of Korea from March 2000 to July 2001. Subsequently, he served as the president and chief executive officer of the Canada China Business Council, a private, non-profit business association that facilitates and promotes trade and investment between Canada and China, from 2001 to 2006, and subsequently as its vice chairman until September 2016. Mr. Balloch founded and served as president and chairman of The Balloch Group from 2001 to 2011, a boutique investment bank that advised domestic and multinational corporations in China. The Balloch Group was acquired in 2011 by Canaccord Genuity Group Inc., a Canadian company listed on both the Toronto Stock Exchange ("**TSX**") (stock code: CF) and the London Stock Exchange (stock code: CF). Mr. Balloch served as Chairman of Canaccord Genuity Asia, the Asian subsidiary of Canaccord Genuity Group Inc. from 2011 to 2013. From January 2002 to January 2015, he served as a director of Ivanhoe Energy Inc., a company involved in heavy oil exploration and production technology and listed on the TSX (stock code: IE) and NASDAQ (stock code: IVAN) until it was delisted in March 2015. Mr. Balloch has also served as the director of several companies outside the Group. He has been a director of Methanex Corp. since December 2004, a company listed on both the TSX (stock code: MX) and NASDAQ (stock code: MEOH), which is engaged in the supply, distribution and marketing of methanol to major international markets. He has also served as a director of Sinopec Canada, a non-public subsidiary of Sinopec International Petroleum Exploration and Production Corporation, since April 2014.

Mr. Balloch received a Bachelor of Arts degree and a Master of Arts degree from McGill University, Canada in June 1972 and June 1974, respectively.

Independent Non-executive Directors

Peter Humphrey Owen ("Mr. Owen"), aged 71, was appointed as an independent non-executive Director in June 2014, and was appointed as a chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on 28 November 2014. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining the Group, Mr. Owen served as the vice chair of the Workers Compensation Review Board of BC in 1986. He subsequently held various positions at the Ministry of Education of the BC provincial government until May 2011, including the positions of director, executive director, and assistant deputy minister, responsible for education related legislation, governance, international education, policy and planning, and a variety of program areas. Mr. Owen has not held any directorship roles in any other listed companies in the last three years.

Mr. Owen received a Bachelor of Arts degree from Simon Fraser University, Canada in May 1976 and a Bachelor of Laws degree (LLB) from the University of British Columbia, Canada in May 1979.

Xiaodan Mei ("Mr. Mei"), aged 54, was appointed as an independent non-executive Director in August 2017, and was appointed as a member of audit committee, remuneration committee and nomination and corporate governance committee. Mr. Mei is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Mei is the founder and president of BIT Congress Inc., a PRC company founded in 2003 and headquartered in Dalian which is principally engaged in the provision of conference organising and event management services. Prior to founding of BIT Congress Inc., Mr. Mei was employed as a scientist at Proscript, which was founded by Professor Dr. Tom Maniatis at Harvard University. From 1997 to 2000, he was employed as a scientist at Biogen-Idec and the Senior Scientist at Anadys. Mr. Mei has not held any directorship roles in any other listed companies in the last three years.

Mr. Mei completed his bachelor degree in China Pharmaceutical University majoring in pharmaceutical chemistry in 1984. Mr. Mei received his master degree from Shanghai Institute of Pharmaceutical Industry in 1989. In 1996, Mr. Mei obtained his Ph.D. degree in Biochemistry and Organic Chemistry from the Department of Chemistry and Biochemistry at the University of Oklahoma.

Lap Tat Arthur Wong ("Mr. Wong"), aged 58, was appointed as an independent non-executive Director in June 2014, and was appointed as the chairman of the audit committee, both taking effect on 28 November 2014. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, from 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the CFO in the following companies: Asia New-Energy Holdings Pte. Ltd., a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, since January 2013.

Mr. Wong previously served as an independent non-executive director at Besunyen Holdings Co Ltd., a herbal tea processing and marketing company listed on the Stock Exchange (stock code: 00926) from July 2010 to April 2014, an independent director of YOU On Demand Holdings Inc, a media company listed on NASDAQ (stock code: YOD) from January 2014 to April 2016, an independent director of Xueda Education Group, a company listed on NYSE (stock code: XUE) from March 2015 to June 2016 and an independent non-executive director and the chairperson of the audit committee of the following listed companies: VisionChina Media, Inc., an out-of-home advertising network company listed on NASDAQ (but this company has been delisted since April 2017) (stock code: VISN) from December 2011 to January 2017; Petro-king Oilfield Services Ltd., a consultancy and oilfield project services company listed on the Stock Exchange (stock code: 02178) from February 2013 to June 2017 and Sky Solar Holdings, Ltd., a company listed on NASDAQ (stock code: SKYS) from November 2014 to May 2017. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (stock code: CAAS) since May 2012 and Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (stock code: DQ) since December 2012.

Mr. Wong received a Higher Diploma in Accountancy from The Hong Kong Polytechnic University in November 1982 and a Bachelor of Science degree in Applied Economics from University of San Francisco in December 1988. He became an associate and subsequently a fellow of the Hong Kong Institute of Certified Public Accountants in 1985 and 1995, respectively. He became a fellow of the Association of Chartered Certified Accountants in 1990 and a member of the American Institute of Certified Public Accountants in 1992.

OUR SENIOR MANAGEMENT

Name	Age	Position
Shu Liang Sherman Jen	64	CEO and President of China Operations
Jingxia Zhang	61	Senior Vice President and CFO
James William Beeke	68	Vice President and Superintendent of Global Education (other than PRC)
Guijie Fan	51	Vice President of China Operations and Chief Legal Officer (PRC)
Linsheng Chen	59	Vice President and the Chinese Program Superintendent
Xiaofeng Cao	45	Vice President
Fang Bao	42	Vice President
Hongge Ren	34	Vice President

The biography of each member of the senior management team (other than our executive Directors) is set out below:

Guijie Fan ("Ms. Fan"), aged 51, has been appointed as vice president of China operations of the Company with effect from 1 September 2016. Ms. Fan is primarily responsible for human resources and legal affairs of the Company's schools in the PRC. Ms. Fan is a PRC qualified lawyer. She has been the legal adviser to Dalian Maple Leaf Educational Group Co., Ltd. since 2011. In June 2014, she established the Group's legal department and served as its first director. Ms. Fan was appointed as chief legal officer in the PRC of the Company in November 2015 and was responsible for drawing up and implementing policies regarding legal governance and intellectual property protection for the Company's schools in the PRC.

Ms. Fan received a Bachelor's degree from the Harbin University of Science and Technology in 1989. Prior to joining the Group, she has worked as a partner in a law firm as well as an in-house legal adviser in two corporations and a government authority.

Linsheng Chen ("Mr. Chen"), aged 59, has been the vice president and Chinese program superintendent of our Group since September 2012. He is primarily responsible for management of the Chinese curriculum and evaluation of our schools. Mr. Chen has been supervising the content and quality of the Chinese curriculum and conducting periodic reviews of the operation of our schools.

Mr. Chen served as the head of the educational affairs department of Dalian Maple Leaf High School from August 2000 to April 2006, where he was responsible for managing the Chinese curriculum. He later served as the Chinese program superintendent of Shenyang Maple Leaf International School from May 2006 to March 2007, where he was responsible for managing the Chinese curriculum. He was also the headmaster of Wuhan Maple Leaf International School from April 2007 to August 2012, where he was responsible for the overall operation of the school. Mr. Chen has not held any directorship roles in any listed companies in the last three years.

Mr. Chen received a Bachelor's degree in Chinese from Hunan Normal University in Hunan, China in December 1981.

Xiaofeng Cao ("Mr. Cao"), aged 45, joined the Group as vice president in March 2015 and is primarily responsible for school construction projects and general affairs of school campus. Mr. Cao has over 10 years' experience in senior management. Prior to joining the Group, Mr. Cao was a vice president of Etonkids Educational Group.

Mr. Cao received a Bachelor's degree from Wuhan Textile Engineering Institute in 1995, a Master of Labor Economics from Renmin University of China in 2011 and a Doctor's degree in Educational Management from Beijing Normal University in 2014.

Fang Bao ("Mr. Bao"), aged 42, has been the vice president of the Group since 10 January 2018. He is primarily responsible for supervising winter and summer programs, talent training programs and overseeing the marketing centre of the Group. He served as the director assistant of general office, the vice director of headquarter development committee office and the director of headquarter development centre of the Group from August 2009 to August 2015. He later served as the vice president of Dalian Maple Leaf Science and Education Industrial Group Co., Ltd (a member of the Group) since September 2015.

Mr. Bao graduated with a bachelor's degree in science, majoring in computer science, from The University of Auckland (New Zealand) in 2009.

DIRECTORS AND SENIOR MANAGEMENT

Hongge Ren ("Mr. Ren"), aged 34, has been a vice president of the Group since 10 January 2018. He oversees three departments: Maple Leaf Education Systems Research Institute ("**MLESRI**"), ESL Teaching Centre and Graduation Service Centre. His major projects include research of the Maple Leaf Global Curriculum, promotion of the Belt and Road education program and scholarship programs of the Group. He has also served as principal of MLESRI and vice chairman of the Global Alumni Association of Maple Leaf International Schools since August 2015.

Mr. Ren graduated with a bachelor's degree in commerce, majoring in entrepreneurship, from the University of Victoria, Canada in 2008 and a master's degree in education, majoring in technology, innovation and education, from Harvard University in 2013. He received the British Columbia Independent School Teaching Certificate in 2016.

COMPANY SECRETARY

Ms. Wan Mun Yee, Sabine ("Ms. Wan"), has been appointed as the company secretary and authorised representative of the Company since 27 August 2018. She is a manager of Corporate Services of Tricor Services Limited and has over 20 years of experience in the corporate secretarial field. Ms. Wan is a Chartered Secretary and a Member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

REPORT OF THE DIRECTORS

The Board of China Maple Leaf Educational Systems Limited present their report together with the audited financial statements of the Group for the year ended 31 August 2018.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 June 2007 as an exempted company with limited liability. The principal place of business of the Company in Hong Kong is located at Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

The Company's shares ("**Shares**") were listed (the "**Listing**") on the Main Board of the Stock Exchange on 28 November 2014 ("**Listing Date**").

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is an international school operator which offers a bilingual K-12 education primarily in the PRC under the "Maple Leaf" brand. The core component of our business is a dual-curriculum and dual-diploma high school education that enables our high school graduates to receive a diploma fully accredited by BC, Canada and a Chinese diploma. A list of the Company's subsidiaries, together with their places of incorporation and principal activities, is set out in note 41 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Letter from the Chairman" and "Management Discussion and Analysis" of this report. These discussions form part of this report.

Principal Risks and Uncertainties

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" under "Connected Transactions" in this report, the following list is a summary of certain principal risks and uncertainties facing the Group.

– Our operations and business prospects;

– Our business and operating strategies and our ability to implement such strategies;

– Our ability to develop and manage our operation and business;

– Our business depends on the market recognition of our Maple Leaf brand;

– Our ability to maintain or increase student enrolment in our schools;

– Our ability to maintain or increase tuition fees;

– Our ability to control our operating costs;

– Competition in the education industry where we serve;

– Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;

– Ability to obtain or renew the necessary licenses or government approvals for our business and operations; and

– Changes to regulatory and operating conditions in the education industry where we serve, in particular, the regulatory changes under the new law and new policies.

Some of the above risks and uncertainties are beyond the Group's control and should any of these occur, the Group's business, financial position and results of operation may be materially adversely affected.

In addition, the Group also faces various market risks. In particular, the Group is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the Group's business. In order to meet these challenges, the Group has established the following structures and measures to manage the Group's risks:

- the Board is responsible and has general powers over the management and operation of our schools, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to raise tuitions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at the Group's highest corporate governance body;

- the Group maintain insurance coverage which we believe is in line with the customary practice in the PRC education industry. The Group also adopts health and safety measures on our campuses to safeguard our students' wellbeing; and

- the Group has made arrangements with banks to ensure that the Group is able to obtain credits to support its business operation and expansion.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. As required under "Review of Disclosure in Issuer's annual reports to monitor the compliance report" issued by the Stock Exchange in 2016 and 2017, the Company discuss specifically how the major risk areas would affect the business operations, the potential financial impact, and whether they had undertaken any measure to manage risk areas.

Environmental Policies and Performance

The Group realizes the importance of environmental protection in pursuing long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in our headquarters and schools including turning off unnecessary lighting, air-conditioning and electrical appliances. The Group also encourages the use of recycled paper and promotes double sided printing and copying. The Group is committed to improving environmental sustainability and will closely monitor its performance. These policies are supported by our staff and were implemented effectively. During the financial year ended 31 August 2018, we have not been subject to any fines or other penalties due to non-compliance with any health, safety or environmental regulations. For details, please refer to our Environmental, Social and Governance ("**ESG**") Report to be published separately.

Compliance with Relevant Laws and Regulations

During the year ended 31 August 2018, the Group was not aware of material non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

Relationships with employees, customers and suppliers

(a) **Employees**

The Group believes that employees are valuable assets. The Group provides a competitive remuneration package to attract and motivate employees. Please refer to the section headed "Management Discussion and Analysis – Employees Benefits" for further details. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

(b) **Customers**

The Group strives to achieve corporate sustainability in providing quality services to our customers. To ensure continuous improvement of the quality of services, the Group regularly reviews its curriculum and teaching material in order to ensure the quality of education delivered by the Group meets the standard set by various educational institutions around the world. The Group believes that maintaining a high admission rate to top-ranked universities can help strengthen its market competitiveness in the industry. For the year ended 31 August 2018, the Group graduated 2,146 high school students, 99 of whom received offers from one of the top 10 universities in the world, with 1,481 graduates, being more than 69% of them receiving offers from at least one of the Maple Leaf Global Top 100 universities.

(c) **Suppliers**

The Group understands the importance of working closely with our suppliers to ensure the sustainability of our business. The Group has established long standing relationships with our suppliers to ensure they share our commitment to quality and ethics.

Save for disclosed in this report, there were no material and significant dispute between the Group and its employees, customers and/or suppliers during the financial year ended 31 August 2018.

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 85 of this report.

DIVIDENDS

In February 2018, the Company paid a final dividend of HK$4.3 cents per share for the year ended 31 August 2017, and in May 2018 it paid an interim dividend of HK$4.0 cents per share for the six months ended 28 February 2018.

The Board has resolved to recommend the payment of a final dividend of HK$5.1 cents per share for the year ended 31 August 2018, subject to the approval by the Shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on 23 January 2019. Together with the interim dividend paid, this made up a total dividend of HK$9.1 cents per share for the year ended 31 August 2018.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

A Dividend Policy was adopted by the Board on 9 November 2018, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on pages 8 to 10 of this report.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties as at 31 August 2018 are set out in note 15 to the financial statements. The fair value of the investment properties at 31 August 2018 was RMB372.7 million. The book value of the investment properties held by the Group as at 31 August 2018 as included in the financial statements in this report was RMB342.9 million.

As at 31 August 2018, the properties held for investment in Singapore and the PRC for which the percentage ratios, as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), exceed 5% are set out below.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Existing Use	Tenure
11 Hillside Drive, Singapore 548926 (Land Lot No. 99180L Mukim 22)	School campus	Leasehold estate for 103 years commenced from 16 November 2012
No. 78 Caiyun Road, Xigang District, Dalian, China 116011 (Land Lot no. 2-11-2-10-1)	Offices	Leasehold estate for 30 years commenced from December 2003

BANK LOANS AND OTHER BORROWINGS

As at 31 August 2018, the Group maintained variable interests rate bank loans secured by bank deposits and an investment property to finance the acquisition of investment property.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

PERMITTED INDEMNITY

In accordance with article 33.1 of the Company's articles of association ("**Articles of Association**"), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

DIRECTORS

The Directors during the year ended 31 August 2018 and up to the date of this report were as follows:

Executive Directors:

Mr. Shu Liang Sherman Jen
Ms. Jingxia Zhang
Mr. James William Beeke

Non-executive Director:

Mr. Howard Robert Balloch

Independent Non-executive Directors:

Mr. Peter Humphrey Owen
Mr. Xiaodan Mei
Mr. Lap Tat Arthur Wong

In accordance with article 16.18 of the Company's Articles of Association, Ms. Jingxia Zhang, Mr. James William Beeke and Mr. Lap Tat Arthur Wong will retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of our Executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as Executive Directors until the year ended 31 August 2019. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Each of our Non-executive Director and Independent Non-executive Directors has signed a letter of appointment with our Company. The term of office of our Non-executive Director and Independent Non-executive Directors will end on 31 August 2019. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2018 are set out in note 10 to the financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' remuneration is determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office. The Directors anticipate that they will periodically review the compensation levels of key executives of the Group. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may, with the approval of the Company's remuneration committee, grant salary increases or pay bonuses to executives. All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 38 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Connected Transactions" of this report below, neither Director nor any entity connected with any of our Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2018 or at any time during the year ended 31 August 2018.

During the year ended 31 August 2018, neither our Controlling Shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 August 2018.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements ("**Contractual Arrangements**") with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group.

Contractual Arrangements

Reasons for the Contractual Arrangements

PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in China. Furthermore, although PRC laws and regulations allow foreign investment in foreign nationals schools, preschools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether (as discussed further below in the section headed "Updates in Relation to the Qualification Requirement"). The Contractual Arrangements among us, Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**"), our consolidated affiliated entities and shareholders of our consolidated affiliated entities are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

Our Directors (including the Independent Non-executive Directors) consider that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 26 to 32 of the Company's prospectus dated 18 November 2014 ("**Prospectus**").

1. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected.

2. Our Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.

3. Any failure by our consolidated affiliated entities or their respective ultimate shareholders to perform their obligations under our Contractual Arrangements would potentially lead to our having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

4. The ultimate owners of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

5. Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

6. The Contractual Arrangements between Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf International School (High School) ("**Dalian Maple Leaf High School**") may subject our Group to increased income tax due to the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, which may adversely affect our results of operations.

7. Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our net income and the value of our investment.

8. We rely on dividends and other payments from Beipeng Software to pay dividends and other cash distributions to our shareholders.

9. Our consolidated affiliated entities and Dalian Maple Leaf High School may be subject to significant limitations on their ability to operate private education or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.

10. The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations.

11. If any of our PRC subsidiaries or consolidated affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our Shares.

12. Our exercise of the option to acquire the equity interests of our consolidated affiliated entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2018 are as follows:

(i) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Educational Group Co., Ltd ("**Dalian Educational Group**") and its subsidiary entities, including but not limited to companies, schools and other entities which it directly or indirectly holds more than 50% interests of, and Ms. Shu'E Ren (the "**Founder's Sister**"), a sister of Mr. Shu Liang Sherman Jen ("**Founder**"), pursuant to which Dalian Educational Group and the Founder's Sister agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Educational Group and its subsidiary entities with comprehensive business management consultancy and educational consultancy services, intellectual property licenses, technical support and business support services, and in return, Beipeng Software will charge for the services;

(ii) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and between Beipeng Software and Dalian Maple Leaf High School, pursuant to which Dalian Maple Leaf High School agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Maple Leaf High School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;

(iii) an exclusive management consultancy and business cooperation agreement dated 22 August 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Foreign Nationals School ("**Dalian Foreign School**"), Wuhan Maple Leaf Foreign Nationals School ("**Wuhan Foreign School**") and the Founder, pursuant to which Dalian Foreign School, Wuhan Foreign School and the Founder agreed to engage Beipeng Software as the exclusive service provider to provide Wuhan Foreign School and Dalian Foreign School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;

(iv) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(v) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Maple Leaf Science and Education Co., Ltd ("**Dalian Science and Education**") and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Science and Education for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(vi) an exclusive call option agreement dated 22 August 2014 and entered into by and among our Company, the Founder and Wuhan Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Wuhan Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(vii) an exclusive call option agreement dated 11 May 2014 and entered into among our Company, the Founder and Dalian Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Dalian Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(viii) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Educational Group to Beipeng Software to guarantee the performance of the obligations of the Founder's Sister and Dalian Educational Group and its Subsidiary Entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (iv)), and power of attorney (as described in item (x));

(ix) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Science and Education to Beipeng Software to guarantee the performance of the obligations of Dalian Science and Education and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (v)) and power of attorney (as described in item (x));

(x) a power of attorney executed by the Founder's Sister dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as her attorney-in-fact to exercise the shareholder's rights in Dalian Educational Group and Dalian Science and Education; and

(xi) a power of attorney executed by the Founder dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as his attorney-in-fact to exercise the shareholder's rights in Dalian Foreign School and Wuhan Foreign School.

On 22 September 2017, Education Department of Zhejiang Province issued an administrative licensing decision (Zhe Jiao Xu Ke [2017] No.23) approving to change the sponsor of Yiwu Maple Leaf Foreign Nationals School ("**Yiwu Foreign School**") from the Founder to Beipeng Software. Yiwu Foreign School, Beipeng Software, the Company and the Founder entered into a VIE termination agreement on 8 November 2018, which terminated the relevant VIE agreements for Yiwu Foreign School ("**Termination**"), including: (i) the exclusive management consultancy and business cooperation agreement entered into by Beipeng Software, Yiwu Foreign School and the Founder on 22 June 2016, (ii) the exclusive call option agreement entered into by the Company, the Founder and Yiwu Foreign School on 22 June 2016, and (iii) the power of attorney executed by the Founder on 22 June 2016. Upon the completion of the Termination, Yiwu Foreign School was transferred to the Group and as at the date of this report, Yiwu Foreign School is directly held by Beipeng Software and not subject to VIE structure.

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC consolidated affiliated entities during the financial year ended 31 August 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2018, except that Shenzhen Company, Shenzhen Yisidun Longgang School, Haikou Xiuying Maple Leaf Preschool, Pinghu Maple Leaf Bilingual Preschool, Changchunteng Qianyan, Changchunteng Kindergarten, Meicheng Qianyan, Youth Centre, Meishe Qianyan, Meishe School, Meihua Qianyan, Meihua School, Meiwen Qianyan, Meiwen School, Dalian Maple Leaf Preschool Educational Management Co. Ltd. and Xi'an Maple Leaf International Preschool have been added as subsidiary entities of Dalian Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (i) above.

For the year ended 31 August 2018, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

The Group has adopted various measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements including the review of the overall performance of and compliance with the structured contracts under the Contractual Arrangements by the Board at least once a year.

We have been advised by our PRC legal advisor that the Contractual Arrangements do not violate the relevant PRC regulations.

Revenue, profit before taxation and assets subject to the Contractual Arrangements

For the year ended 31 August 2018, the revenue and profit before taxation subject to the Contractual Arrangements are RMB1,027.8 million and RMB540.0 million (amounted to approximately76.6% and 94.4% of the total revenue and profit before taxation of the Group), respectively. As at 31 August 2018, the total assets subject to the Contractual Arrangements is RMB3,340.2 million, amounted to approximately 59.0% of the total assets of the Group.

Listing Rules Implications

As the Founder is our Controlling Shareholder and our chairman of the Board and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. The Founder's sister is the Sister of the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(a) and 14A.07(4) of the Listing Rules. Dalian Educational Group is wholly owned by the Founder's Sister and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Dalian Science and Education is 95.3% indirectly owned by the Founder's Sister via Dalian Educational Group, which she controls, and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Each of Wuhan Foreign School, Dalian Foreign School and Yiwu Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Accordingly, the Contractual Arrangements constitute connected transactions of the Company under the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements, (ii) the requirement of setting an annual cap for the fees payable to Beipeng Software under the Contractual Arrangements and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject however to the condition that the Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be consolidated into our Group's financial results as if they were our Group's subsidiaries. If any terms of the Contractual Arrangements are altered or if the Group enters into any new agreements with any connected persons in the future, the Group must fully comply with the relevant requirements under the Listing Rules unless we obtain a separate waiver from the Stock Exchange.

Agreements with Beipeng Software

Pursuant to the exclusive management consultancy and business cooperation agreements (i) Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's Sister entered into on 11 May 2014, (ii) among Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder entered into on 22 August 2014 and (iii) among Beipeng Software, Yiwu Foreign School and the Founder entered into on 22 June 2016, each of which superseded all previous agreements among the parties with respect to subject matters thereof, Beipeng Software has the exclusive right to provide, or designate any third party to provide each of the Group's consolidated affiliated entities with intellectual property development and licensing services as well as comprehensive technical and educational consultancy services (the "**Services**"). Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2018 the Services provided by Beipeng Software to the Dalian Educational Group and its subsidiaries, Wuhan Foreign School, Yiwu Foreign School, and Dalian Foreign School amounted to RMB45.0 million.

Confirmation from Independent Non-executive Directors

Our Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been retained by the Beipeng Software, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2018, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2018, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2018:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board; and

2. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions;

During the year ended 31 August 2018, no related party transactions disclosed in note 38 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

Draft New Foreign Investment Law

On 19 January 2015, the Ministry of Commerce of China ("**MOFCOM**") released a draft version of the Foreign Investment Law (中華人民共和國外國投資法(草案徵求意見稿)) ("**Draft FIL**") for public comment. The Draft FIL, if adopted in its current form, would introduce significant changes to the foreign investment regime of the PRC.

Unlike the current system, the definition of "foreign investment" in the Draft FIL expressively includes control by other means, e.g. contractual arrangements, in addition to equity ownership. Therefore, for any future investment made through contractual arrangements, so long as ultimate investor is a foreign investor, MOFCOM will treat the investment, albeit through contractual arrangements, as a foreign investment. For those contractual arrangements made before the Draft FIL becoming effective, the Draft FIL leaves a placeholder for dealing with them but acknowledges in an explanatory note that in light of the different views expressed by the public, a further study based on the public comments would be necessary.

Given that the Draft FIL is only at the consultation stage and information on how existing contractual arrangements would be dealt with is still outstanding, the Company believes that any attempt to evaluate the potential impact that it will have on the Contractual Arrangements and the business of our Group would be premature. The Board will continuously monitor any updates on the Draft FIL and seek guidance from our PRC legal advisor to ensure compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

Our PRC legal advisor, Tianyuan Law Firm has advised us that, except for the release of the Draft FIL, there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement since the publication of the Prospectus.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

On 27 March 2018, the Group signed an agreement with UniSA to establish the first Maple Leaf University School in Australia. Maple Leaf University School – UniSA is expected to be opened in February 2019 at Mawson Lakes Campus of UniSA.

Up to the date of this report, apart from the above actions and other steps taken as disclosed in the Prospectus and previous year's annual reports, the Group is still in the progress of working on different ways of obtaining the Qualification Requirement.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2018.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other sponsors. We did not have a single customer who accounted for more than 5% of our revenue for the two years ended 31 August 2018 and 2017.

For the year ended 31 August 2018, our five largest suppliers in aggregate accounted for approximately 4.24% (2017: 8.93%) of our cost of revenue and our largest supplier accounted for approximately 1.72% (2017: 3.31%) of our cost of revenue. None of our Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 August 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Shu Liang Sherman Jen ("**Mr. Jen**")	Interest of controlled corporation	1,483,639,818 (Note 1)	–	1,483,639,818	49.80%
	Beneficial interest	14,402,850	692,000 (Note 2)	15,094,850	0.51%
	Interest of spouse	1,342 (Note 3)	–	1,342	0.00%
Jingxia Zhang	Beneficial interest	3,511,146	2,000,000 (Note 2)	5,511,146	0.18%
James William Beeke	Interest of controlled corporation	1,174,000 (Note 4)	–	1,174,000	0.04%
	Beneficial interest	51,342	1,000,000 (Note 2)	1,051,342	0.04%
Howard Robert Balloch	Interest of controlled corporation	7,403,644 (Note 5)	–	7,403,644	0.25%
	Beneficial interest	1,101,342	1,000,000 (Note 2)	2,101,342	0.07%
Peter Humphrey Owen	Beneficial interest	121,342	692,000 (Note 2)	813,342	0.03%
Xiaodan Mei	Beneficial interest	8,000	692,000 (Note 2)	700,000	0.02%
Lap Tat Arthur Wong	Beneficial interest	320,000	692,000 (Note 2)	1,012,000	0.03%

Notes:

1. *Sherman Investment Holdings Limited ("**Sherman Investment**") is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Jen. Mr. Jen is deemed to be interested in 1,483,639,818 Shares held by Sherman Investment.*

2. *These interests in underlying Shares represent the interests in outstanding options granted pursuant to the Post-IPO share option scheme approved and adopted by the Company on 10 November 2014 ("**Post-IPO Share Option Scheme**") to subscribe for the relevant number of Shares.*

3. *Mr. Jen is the spouse of Ms. Meichen Amy Yan ("**Ms. Yan**") who is interested in 1,342 Shares. Mr. Jen is deemed to be interested in all the Shares in which Ms. Yan is interested by virtue of the SFO.*

4. *These Shares were held by Signum International Educational Services Inc. ("**Signum Services**"), a company which is owned as to 51% by Mr. James William Beeke and the remaining balance by his spouse. Mr. James William Beeke is deemed to be interested in all the Shares held by Signum Services.*

5. *These Shares were held by Balloch Investment Holdings Limited ("**Balloch Investment**"), a company which is owned as to 50% by each of Mr. Howard Robert Balloch and his spouse. Mr. Howard Robert Balloch is deemed to be interested in all the Shares held by Balloch Investment.*

Long position in shares in associated corporation

Name of Director	Name of associated corporation	Capacity	Number of issued shares	Percentage of total issued shares of the associated corporation
Mr. Jen	Sherman Investment	Beneficial interest	50,000	100%

Save as disclosed above, as at 31 August 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 August 2018, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Sherman Investment (Note 1)	Beneficial interest	1,483,639,818	49.80%
Ms. Yan (Note 2)	Interest of spouse	1,498,734,668	50.31%
	Beneficial interest	1,342	0.00%

Notes:

(1) Sherman Investment is wholly owned by Mr. Jen, and has beneficial interest in 1,483,639,818 Shares.

(2) Ms. Yan is the spouse of Mr. Jen and, therefore, Ms. Yan is deemed to be interested in all the Shares and underlying Shares in which Mr. Jen is interested or deemed to be interested by virtue of the SFO. Mr. Jen is interested in: (i) 14,402,850 Shares and options granted pursuant to the Post-IPO Share Option Scheme to subscribe for 692,000 Shares, and (ii) 1,483,639,818 Shares held by Sherman Investment.

Save as disclosed above, as at 31 August 2018, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REMUNERATION POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a provident fund set up for its employees and share incentive schemes as described below.

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management, other employees and consultants for their contribution to the Group and to attract and retain suitable personnel to our Group, we adopted the Pre-IPO Share Option Scheme on 1 April 2008 and on 10 November 2014, adopted the Post-IPO Share Option Scheme (the "**Post-IPO Share Option Scheme**") and the restricted share units scheme which was subsequently modified by the Board on 28 April 2015 and renamed as the Share Award Scheme (the "**Share Award Scheme**").

Details on the movement of the relevant scheme for the year ended 31 August 2018 is set out in note 29 to the financial statements.

1. Employee Pre-IPO Share Option Scheme

The Board approved and adopted the Pre-IPO Share Option Scheme on 1 April 2008 (the "**Effective Date**") to attract and retain the best available personnel, to provide additional incentives to employees, Directors and consultants of the Company and any Parent Corporate or Subsidiary Corporate (as defined in Section 424(e) and Section 424(f) of the US Inland Revenue Code of 1986, respectively) of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent Corporate or a Subsidiary Corporate of the Company holds a substantial ownership interest, directly or indirectly ("**Related Entities**") and to promote the success of the Company's business. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve our Company granting options to subscribe for Shares once the Company became a listed issuer.

(a) Eligible Persons

The Board or any other committee of Directors appointed by the Board to administer the Pre-IPO Share Option Scheme (the "**Administrator**") may grant awards to those employees, Directors and consultants of the Company or a Related Entity ("**Eligible Person**").

(b) Term of the Pre-IPO Share Option Scheme

Unless earlier terminated by the Board in accordance with its terms, the Pre-IPO Share Option Scheme will continue in effect for a term of 10 years from the Effective Date. The Board has the authority to amend, suspend or terminate the Pre-IPO Share Option Scheme subject to the approval of the Shareholders of the Company to the extent necessary to comply with applicable law.

(c) Share Limits

Our Board has authorized the issuance of up to 66,702,832 Shares (adjusted for any share-splits or other dilutive issuances), representing approximately 2.24% of the issued shares as at the date of this report, upon the exercise of awards granted under the Pre-IPO Share Option Scheme.

(d) Option Grants

The Administrator may grant one or more options ("**Option**") under the Pre-IPO Share Option Scheme to any Eligible Person. Subject to the express provisions of the scheme, the Administrator will determine the number of Shares subject to each Option. Options granted will be evidenced by an option agreement entered into between the Company and the grantee ("**Option Agreement**").

(e) Vesting and Exercising the Option

An Option may be exercised only to the extent that it is both vested and exercisable. The Administrator will determine the vesting and/or exercisability provisions of each Option, which provisions will be set forth in the applicable Option Agreement.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised.

(f) Exercise Price

The Administrator will determine the purchase price per share of the Share covered by each Option (the "**Exercise Price**" of the Option) at the time of the grant of the Option. Such exercise price will be set forth in the applicable Option Agreement. The exercise price of an Option shall not be less than the par value of the Shares on the date of grant.

(g) Termination, Suspension and Amendments to the Pre-IPO Share Option Scheme

The Board may at any time amend, suspend or terminate the scheme; provided, however, that no such amendment shall be made without the approval of the Company's Shareholders to the extent such approval is required by applicable laws, or if such amendment would change any of the provisions relating to the rights to amend the terms of Options granted or the scheme. No award may be granted during any suspension of the scheme or after termination of the scheme. No suspension or termination of the scheme shall adversely affect any rights under awards already granted to a grantee.

(h) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at 31 August 2018. No Options were granted from the Listing Date to 31 August 2018.

Grenatees	Date of grant	Number of share options As at 1 September 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 August 2018	Exercise period	Exercise price	Vesting period
Directors									
Shu Liang Sherman Jen	2 June 2014	4,030	(4,030)	–	–	–	10 years after the date of grant	RMB0.47	None
Jingxia Zhang	2 June 2014	2,014	(2,014)	–	–	–	10 years after the date of grant	RMB0.47	None
James William Beeke	2 June 2014	1,342	(1,342)	–	–	–	10 years after the date of grant	RMB0.47	None
Peter Humphrey Owen	2 June 2014	1,342	(1,342)	–	–	–	10 years after the date of grant	RMB0.47	None
Sub-total		**8,728**	**(8,728)**	**–**	**–**	**–**			
Employees in aggregate									
27 employees	1 September 2008	13,564	(1,342)	–	(12,222)	–	10 years after the date of grant	RMB0.47	Four years from the date of grant
11 employees	1 September 2009	323,148	–	–	–	323,148	10 years after the date of grant	RMB0.47	Four years from the date of grant
12 employees	2 June 2014	5,978	–	–	–	5,978	10 years after the date of grant	RMB0.47	None
Sub-total		**342,690**	**(1,342)**	**–**	**(12,222)**	**329,126**			
Total		**351,418**	**(10,070)**	**–**	**(12,222)**	**329,126**			

2. Post-IPO Share Option Scheme

(a) Purpose of the Post-IPO Share Option Scheme

The Company adopted the Post-IPO Share Option Scheme on 10 November 2014 to enable our Group to grant options to selected participants as incentives or rewards for their contributions to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the shares in issue of our Company.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date, such 10% limit represents 266,800,000 Shares (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the over-allotment option for the Listing.

As at the date of this report, the Company had a total of 215,332,000 Shares available for issue under the Post-IPO Share Option Scheme (representing approximately 7.23% of the issued Shares as at the date of this report).

Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

Subject to paragraph (a) above and without prejudice to paragraph (c) herein, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) herein to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial Shareholder of our Company or an Independent Non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet as at the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

Any change in the terms of options granted to a substantial Shareholder or an Independent Non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant within five business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(g) Subscription price for Shares

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Listing shall be used as the closing price for any business day falling within the period before Listing); and

(iii) the nominal value of a share on the date of grant.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

(h) Restriction on the time of grant of options

No offer for grant of options shall be made after an inside information event has occurred or an inside information matter has been the subject of a decision until such inside information has been announced in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and (ii) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(i) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from 10 November 2014.

(j) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as at 31 August 2018. 50,268,000 Options were granted under the Post-IPO Share Option Scheme during the financial year ended 31 August 2018.

		Number of share options								
Grenatees	Date of grant	As at 1 September 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 August 2018	Exercise period/date	Exercise price (Note)	Vesting period/date
Directors										
Shu Liang Sherman Jen	14 June 2018	–	692,000	–	–	–	692,000	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
Jingxia Zhang	14 June 2018	–	2,000,000	–	–	–	400,000	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	400,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	400,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	400,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	400,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
James William Beeke	14 June 2018	–	1,000,000	–	–	–	200,000	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	200,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	200,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	200,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	200,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Howard Robert Balloch	14 June 2018	–	1,000,000	–	–	–	200,000	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	200,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	200,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	200,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	200,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Peter Humphrey Owen	14 June 2018	–	692,000	–	–	–	138,400	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Xiaodan Mei	14 June 2018	–	692,000	–	–	–	138,400	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Lap Tat Arthur Wong	14 June 2018	–	692,000	–	–	–	138,400	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
				–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
				–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
				–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
				–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Sub-total		–	**6,768,000**	–	–	–	**6,768,000**			

Note: The closing price of the Shares immediately before the date on which the Options were granted was HK$7.28.

Grenatees	Date of grant	Number of share options: As at 1 September 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 August 2018	Exercise period/date	Exercise price (Note)	Vesting period/date
Employees in aggregate										
First tranche	16 February 2016	200,000	–	(200,000)	–	–	–	1 March 2017	HK$2.20	From 1 March 2017 to 15 February 2026
Second tranche	16 February 2016	200,000	–	–	–	(200,000)	–	1 March 2018	HK$2.20	From 1 March 2018 to 15 February 2026
Third tranche	16 February 2016	200,000	–	–	–	(200,000)	–	1 March 2019	HK$2.20	From 1 March 2019 to 15 February 2026
Fourth tranche	14 June 2018	–	8,700,000	–	–	(80,000)	8,620,000	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
Fifth tranche	14 June 2018	–	8,700,000	–	–	(80,000)	8,620,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
Sixth tranche	14 June 2018	–	8,700,000	–	–	(80,000)	8,620,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
Seventh tranche	14 June 2018	–	8,700,000	–	–	(80,000)	8,620,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
Eighth tranche	14 June 2018	–	8,700,000	–	–	(80,000)	8,620,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Sub-total		**600,000**	**43,500,000**	**(200,000)**	**–**	**(800,000)**	**43,100,000**			
Total		**600,000**	**50,268,000**	**(200,000)**	**–**	**(800,000)**	**49,868,000**			

The accounting policy adopted for the Options is set out in note 3 to the financial statements.

3. Share Award Scheme

(a) The Share Award Scheme was adopted by the Company on 10 November 2014 and modified by the Board on 28 April 2015.

The grant of share awards (the "**Awards**") recognizes the contribution of the Directors, executive officers, senior management, employees and consultants of the Company and of its subsidiaries and consolidated affiliated entities (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivize, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other share award schemes or other share-based remuneration schemes in the future.

(b) Awards

Each Award is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the Share Award Scheme. For each Award, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

Awards cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

(c) Grant of Awards

The Share Award Scheme provides for the grant of Awards by the Company to beneficiaries (the "**Beneficiaries**") selected at the discretion of the Board from among the Directors, executive officers, senior management, employees and consultants of the Scheme Companies (the "**Eligible Participants**"). Shares will not be released under the Awards until the applicable vesting conditions have been satisfied.

(d) Shares underlying the Awards

The Company will from time to time transfer the necessary funds and instruct the scheme trustee ("**Scheme Trustee**") to acquire Shares through on-market transactions so as to satisfy Awards.

The Share Award Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their Awards.

The grant of Awards by the Company to a connected person of the Company will be subject to the requirements of Chapter 14A of the Listing Rules.

(e) Restrictions on grants and Share purchases

No instruction may be given to the Scheme Trustee to acquire Shares and no Award may be granted when the Board is in possession of unpublished inside information in relation to the Scheme Companies or when dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

(f) Vesting of Awards

Vesting of Awards is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period as determined by the Board. Upon vesting, the Company will instruct the Scheme Trustee to release Share Award Scheme Shares to the Beneficiary on its behalf.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her Awards will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer's mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

In the case of retirement or early retirement of the Beneficiary, Awards are not forfeited. However, the Shares are not released until they vest on the grantee.

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

No consideration is paid or payable by the grantees for the Shares to be issued under the Share Award Scheme.

(g) Limit for each Beneficiary

Pursuant to a resolution passed at a meeting of the Board on 29 November 2016, the maximum number of Awards which may be granted to a Beneficiary but unvested under the Share Award Scheme was revised to not exceed 1% of the Shares in issue from time to time.

(h) The Share Award Scheme Period

The Share Award Scheme shall be valid and effective from 28 April 2015 and end on the earlier of (i) the business day immediately prior to the tenth anniversary of 28 April 2015 except in respect of any non-vested Awards granted prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Awards or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Beneficiary in respect of the Awards already granted.

(i) Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 62,160,000 Shares on the Stock Exchange at a total consideration of approximately HK$74.7 million (equivalent to approximately RMB59.0 million). During the year 31 August 2018, the Scheme Trustee did not purchase any Share on the Stock Exchange and a total of 13,886,000 Shares under the Share Award Scheme were granted to employees and a consultant of the Group. The table below discloses movements in the outstanding Shares granted under the Share Award Scheme to all grantees at 31 August 2018.

		Number of share award						
Grenatees	Date of grant	As at 1 September 2017	Granted during the year	Vested during the year	Forfeited during the year	As at 31 August 2018	Vesting period/date	Vesting conditions
Directors								
James William Beeke	14 June 2018	–	60,000	(60,000)	–	–	–	No vesting conditions
Howard Robert Balloch	14 June 2018	–	60,000	(60,000)	–	–	–	No vesting conditions
Peter Humphrey Owen	14 June 2018	–	60,000	(60,000)	–	–	–	No vesting conditions
Xiaodan Mei	14 June 2018	–	40,000	(40,000)	–	–	–	No vesting conditions
Lap Tat Arthur Wong	14 June 2018	–	60,000	(60,000)	–	–	–	No vesting conditions
Sub-total		–	280,000	(280,000)	–	–		
Employees in aggregate								
Third tranche	1 March 2016	2,160,000	–	(2,056,000)	(104,000)	–	31 May 2018	Subject to performance conditions
Sixth tranche	3 March 2017	4,684,000	–	(4,216,000)	(468,000)	–	31 May 2018	Subject to performance conditions
Seventh tranche	3 March 2017	696,000	–	–	(64,000)	632,000	31 May 2019	Subject to performance conditions
Nineth tranche	12 March 2018	–	7,624,000	(7,604,000)	(20,000)	–	31 May 2018	Subject to performance conditions
Tenth tranche	12 March 2018	–	5,460,000	–	(534,000)	4,926,000	31 May 2019	Subject to performance conditions
Eleventh tranche	12 March 2018	–	264,000	–	–	264,000	31 May 2020	Subject to performance conditions
Twelveth tranche	27 August 2018	–	158,000	(158,000)	–	–	–	No vesting conditions
Sub-total		7,540,000	13,506,000	(14,034,000)	(1,190,000)	5,822,000		
Consultant								
Eighth tranche	12 March 2018	–	100,000	(100,000)	–	–	–	No vesting conditions
Total		**7,540,000**	**13,886,000**	**(14,414,000)**	**(1,190,000)**	**5,822,000**		

Note:

The vesting period or date is subject to the completion of certain administrative procedures relevant to the Scheme Trustee and the grantees.

Further details on the movement of the Shares awarded during the year ended 31 August 2018 are set out in note 29 to the financial statements.

The other principal terms of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme are set out in the Prospectus.

Contingent Liabilities

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement (the "**Agreement**") between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case now proceeds to the main trial stage.

On 29 January 2018, Zhinxin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. Zhixin Case is still in the process of filing pleadings by both parties.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2018, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed above has not considered the effect of Share Subdivision that became effective on 9 July 2018.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2018.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 August 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

LITIGATION

Save as disclosed in the section headed "Contingent liabilities" in "Management Discussion and Analysis" and "Report of the Directors", the Group did not have any material litigation outstanding as at 31 August 2018.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGE IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save as disclosed in the section headed "Directors and Senior Management" in this report, no change in information of Directors and chief executives is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

USE OF PROCEEDS

Use of Proceeds from the Listing

The net proceeds from the listing, after deducting underwriting fees and related expenses, amounted to approximately HK$881.4 million (equivalent to approximately RMB697.4 million) which has been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 18 November 2014 and the Company's announcement dated 7 September 2015 relating to the change in use of proceeds.

As at the date of this report, the Company has applied all the net proceeds from Listing as follows:

- approximately RMB209.2 million has been utilized towards the expansion of the Group's school network, in particular by developing new schools on the Group's own in major cities in China;
- approximately RMB69.8 million has been utilized towards the maintenance, renovation and upgrade of the Group's existing schools, such as in the Group's Dalian, Wuhan, Shanghai and Hainan campuses;
- approximately RMB181.3 million has been utilized towards the acquisition of schools in major cities in China (except for foreign nationals schools and preschools), the acquisition of schools outside China and the strategic investment in international school operators, to expand the Group's school network;
- approximately RMB167.4 million has been utilized to repay the Group's bank loans; and
- approximately RMB69.7 million has been utilized as the Group's working capital.

Use of Proceeds from the Placing and Subscription

The net proceeds from the placing and subscription of 110,000,000 shares of the Company, after deducting placing commission and related expenses, amounted to approximately HK$989.5 million (equivalent to approximately RMB813.8 million as at the date of completion, being 17 January 2018) which is intended to be applied in the manner as set out in the section headed "Reasons for the Placing and the Subscription and Use of Proceeds" of the Company's announcement dated 12 January 2018 and in the section headed "Completion of the Placing and the Subscription" of the Company's announcement dated 17 January 2018.

- approximately 95% (representing approximately HK$940.0 million) is expected to be used as cash reserves for potential overseas acquisitions and payment of the related expenses; and

- approximately 5% (representing approximately HK$49.5 million) is expected to be used for other general corporate purposes to expand and enhance the existing business of the Company.

The number of shares disclosed above has not considered the effect of Share Subdivision that became effective on 9 July 2018.

As at the date of this report, no proceeds from the placing and subscription have been utilized by the Company.

The unutilized net proceeds are generally placed in licensed financial institutions as short-term deposits.

NON-COMPETITION UNDERTAKING

In March 2008, each of the Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others not to establish new entities or schools that are in competition with the entities or schools directly or indirectly controlled by us without our consent ("**Non-competition Undertaking**").

The Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others have confirmed their compliance with the Non-Competition Undertaking throughout the period from the Listing Date to 31 August 2018. The Independent Non-executive Directors have also reviewed the compliance with the Non-competition Undertaking and are satisfied that they have complied with the undertakings.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2018 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**"). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

AUDITORS

The consolidated financial statements for the year ended 31 August 2018 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company's auditors is to be proposed at the forthcoming AGM.

On behalf of the Board
Shu Liang Sherman Jen
Chairman and Chief Executive Officer

Hong Kong, 27 November 2018

CORPORATE GOVERNANCE REPORT

The Board of China Maple Leaf Educational Systems Limited is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 August 2018.

CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

During the year ended 31 August 2018, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive should not be performed by the same individual. Details of such deviation are set out in the section headed "Chairman and Chief Executive Officer" below.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2018.

BOARD OF DIRECTORS

The Board currently comprises seven members, consisting of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

The composition of the Board as at the date of this report is as follows:

Executive Directors

Mr. Shu Liang Sherman Jen *(Chairman and Chief Executive Officer)*
Ms. Jingxia Zhang
Mr. James William Beeke

Non-executive Director

Mr. Howard Robert Balloch *(Vice Chairman)*

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Xiaodan Mei
Mr. Lap Tat Arthur Wong

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" in this report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

The Board does not have a separate chairman and CEO. Mr. Shu Liang Sherman Jen performs the dual roles of both chairman and CEO. The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

Board Meetings and Shareholders' Meetings Held

During the year ended 31 August 2018, the Board convened four Board meetings and the Company convened an annual general meeting ("**AGM**") and an extraordinary general meeting ("**EGM**"). A summary of the attendance record of the Directors is set out in the following table:

	Attendance/Number of meetings		
Name of Director	**Board Meetings**	**AGM**	**EGM**
Executive Directors			
Mr. Shu Liang Sherman Jen	4/4	1/1	1/1
Ms. Jingxia Zhang	4/4	1/1	1/1
Mr. James William Beeke	4/4	1/1	0/1
Non-executive Director			
Mr. Howard Robert Balloch	3/4	0/1	0/1
Independent Non-executive Directors			
Mr. Peter Humphrey Owen	4/4	0/1	0/1
Mr. Xiaodan Mei	3/4	0/1	0/1
Mr. Lap Tat Arthur Wong	4/4	1/1	0/1

The Board will meet at least four times in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the Non-executive Director and Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 August 2018.

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors including non-executive Director and independent non-executive Directors have been appointed for a fixed term of less than three years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with code provision A.6.5 of the CG Code with regard to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 August 2018, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Shu Liang Sherman Jen	✓	✓
Ms. Jingxia Zhang	✓	✓
Mr. James William Beeke	✓	✓
Mr. Howard Robert Balloch	✓	✓
Mr. Peter Humphrey Owen	✓	✓
Mr. Xiaodan Mei	✓	✓
Mr. Lap Tat Arthur Wong	✓	✓

During the year ended 31 August 2018, the Company has also arranged a training session provided by the Company's lawyer regarding the power and authority, responsibilities and limitation of rights of the directors of listed companies under the relevant Hong Kong securities ordinance and regulations.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this report.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group, to oversee the audit process and the relationship with external auditor, to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and to perform other duties and responsibilities as assigned by our Board.

The Audit Committee consists of three members: Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen, and Mr. Xiaodan Mei, all of whom are Independent Non-executive Directors. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

During the year ended 31 August 2018, the Audit Committee held three meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Lap Tat Arthur Wong	3/3
Mr. Peter Humphrey Owen	3/3
Mr. Xiaodan Mei	2/3

During the meetings, the Audit Committee reviewed the annual results and reports for the year ended 31 August 2017 and the interim results and report for the six months ended 28 February 2018, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

During the year ended 31 August 2018, the Audit Committee also met with the external auditors twice in the absence of the executive Directors.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and approving the terms of incentive schemes and Directors' service contracts.

The Remuneration Committee consists of three members: Mr. Peter Humphrey Owen, Mr. Howard Robert Balloch and Mr. Xiaodan Mei. Mr. Balloch is a Non-executive Director and Mr. Owen and Mr. Mei are Independent Non-executive Directors. Mr. Owen is the chairman of the Remuneration Committee.

During the year ended 31 August 2018, the Remuneration Committee held two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Peter Humphrey Owen	2/2
Mr. Howard Robert Balloch	1/2
Mr. Xiaodan Mei	2/2

During the meetings, the Remuneration Committee reviewed and made recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters of the Company. The Remuneration Committee also reviewed the adequacy of its Terms of Reference and the efficiency of the work of the Committee.

During the year ended 31 August 2018, total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong dollars is set out below:

Band	Number of senior management
HK$500,000 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	4
HK$2,500,001 to HK$3,000,000	1
HK$4,000,001 to HK$4,500,000	1

Nomination and Corporate Governance Committee

The Company has established a Nomination and Corporate Governance Committee with written terms of reference in compliance with paragraphs A.5 and D.3 of the CG Code. The Nomination and Corporate Governance Committee has the following two main functions: (i) nomination function including reviewing the structure, size, composition and performance of the Board, developing and recommending to the Board on nomination guidelines, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors; and (ii) corporate governance function including developing and reviewing the Company's corporate governance policies and practices, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Nomination and Corporate Governance Committee consists of three members: Mr. Shu Liang Sherman Jen, Mr. Peter Humphrey Owen, and Mr. Xiaodan Mei. Mr. Jen is an Executive Director and Mr. Owen and Mr. Mei are Independent Non-executive Directors. Mr. Jen is the chairman of the Nomination and Corporate Governance Committee.

A Director Nomination Policy ("**the Policy**") was adopted by the Board on 9 November 2018. The Policy sets out criteria for evaluating and selecting candidate for directorship and process in the nomination and appointment of directors and re-election of directors, ensuring that the board of directors of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company's business and corporate strategy.

During the year ended 31 August 2018, the Nomination and Corporate Governance Committee held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/Number of meeting
Mr. Shu Liang Sherman Jen	1/1
Mr. Peter Humphrey Owen	1/1
Mr. Xiaodan Mei	1/1

During the meeting, the Nomination and Corporate Governance Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of Independent Non-executive directors, made recommendation to the Board for the re-election of directors, reviewed the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements and discussed the adequacy on the training and continuous professional development of Directors and senior management.

BOARD DIVERSITY POLICY

A revised Board Diversity Policy ("**the Policy**") was adopted by the Board on 9 November 2018. The Policy sets out the approach to diversity on the Board through the consideration of a number of factors and measurable objectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Company aims to maintain appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

The Nomination and Corporate Governance Committee is responsible for monitoring and reviewing the Policy annually. During the year ended 31 August 2018, the Nomination and Corporate Governance committee was satisfied with the diversity of the existing Board and did not recommend any change of the size of the Board.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 81 to 84 in this report.

AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditors for the year ended 31 August 2018. During the year ended 31 August 2018, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's external auditors are set out below:

Items of auditors' services	Amount RMB'000
Audit service:	
Annual audit service	2,680
Non-audit services:	
ESG consultation service	98
Tax advisory service	16
Transfer pricing service	100
Review on continuing connected transactions	100
Total	2,994

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining adequate and effective systems of risk management and internal control of the Group and reviewing their effectiveness annually.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems aim to provide reasonable, but not absolute, assurance that assets are safeguard against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage effectively risks rather than to eliminate the risk of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.

During the year ended 31 August 2018, the internal audit department of the Company reviewed the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance control functions of the Group. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board considered that the risk management and internal control systems are effective and adequate and is committed to improving the Group's risk management and internal control systems on an ongoing basis.

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Ms. Wan Mun Yee, Sabine ("**Ms. Wan**") of Tricor Services Limited ("**Tricor**"), an external service provider, has been engaged by the Company as its company secretary since 27 August 2018. Ms. Chan Wai Ling ("**Ms. Chan**") of Tricor has resigned as the company secretary of the Company since 27 August 2018. Ms. Grace Jen, assistant to CFO, was the primary contact person between the Company and Ms. Chan and Ms. Wan during their tenure.

Ms. Wan and Ms. Chan undertook no less than 15 hours of relevant professional training during the year ended 31 August 2018.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals at EGM

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong
Investor Relations Department
Fax: (852) 3565 5967
Email: ir@mapleleaf.net.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, the chairmen of Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

The Company has not made any changes to its Articles of Association during the year ended 31 August 2018. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Maple Leaf Educational Systems Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 85 to 174, which comprise the consolidated statement of financial position as at 31 August 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
We identified the management's determination on impairment of goodwill as a key audit matter due to judgment and estimation involved in the discounted future cash flow model which was prepared and used by management in considering impairment of goodwill. Impairment of goodwill is assessed by management by comparing the recoverable amount and carrying amount of the relevant cash generating units engaged in private school operation at the end of the reporting period. Significant judgments and assumptions were required by management of the Group in assessing the recoverable amounts of those cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of student number and tuition fee during the forecasting period in order to derive the net present value of the discounted future cash flow analysis. Details of the key estimation uncertainties and the impairment assessment on goodwill are disclosed in notes 4 and 16, respectively, to the consolidated financial statements.	Our procedures in relation to management's evaluation of impairment assessment of goodwill included: • Testing the Group's key control for the impairment assessment on goodwill; • Involving our internal specialists to evaluate the appropriateness of the methodologies of material goodwill impairment test; • Obtaining the discounted future cash flow analysis prepared by the management and checking its mathematical accuracy; and • Evaluating the reasonableness of the key assumptions adopted by the management, including discount rates, growth rates of student number and tuition fee during the forecasting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 November 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**1,341,267**	1,083,182
Cost of revenue		**(717,163)**	(543,331)
Gross profit		**624,104**	539,851
Investment and other income	6	**54,261**	45,039
Other gains and losses	7	**75,713**	48,668
Marketing expenses		**(40,034)**	(29,547)
Administrative expenses		**(155,558)**	(155,392)
Finance costs		**(10,607)**	(7,957)
Profit before taxation		**547,879**	440,662
Taxation	8	**(9,476)**	(26,939)
Profit for the year	9	**538,403**	413,723
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on the translation of foreign operation		**8,490**	(3,402)
Total comprehensive income for the year		**546,893**	410,321
Profit for the year attributable to:			
Owners of the Company		**542,830**	410,476
Non-controlling interests		**(4,427)**	3,247
		538,403	413,723
Total comprehensive income attributable to:			
Owners of the Company		**551,320**	407,074
Non-controlling interests		**(4,427)**	3,247
		546,893	410,321
EARNINGS PER SHARE			
Basic (RMB cents)	12	**19.02**	15.32
Diluted (RMB cents)	12	**18.99**	15.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2018

	NOTES	31/8/2018 RMB'000	31/8/2017 RMB'000
Non-current Assets			
Property and equipment	13	**2,105,782**	1,814,438
Prepaid lease payments	14	**207,628**	203,591
Investment properties	15	**342,936**	337,798
Goodwill	16	**165,968**	60,464
Other intangible assets	17	**38,826**	7,167
Prepayment for purchase of property and equipment		**10,159**	–
Books for lease		**2,608**	3,222
Investment in a joint venture		**–**	1,000
Pledged bank deposits	18	**132,000**	245,000
		3,005,907	2,672,680
Current Assets			
Inventories		**16,977**	18,205
Deposits, prepayments and other receivables	19	**76,782**	76,737
Available-for-sale investments	20	**246,000**	–
Held for trading investments	21	**116,770**	–
Pledged bank deposits	18	**113,000**	–
Bank balances and cash	22	**2,220,694**	1,649,296
		2,790,223	1,744,238
Current Liabilities			
Deferred revenue	23	**1,168,873**	1,008,348
Other payables and accrued expenses	24	**399,452**	382,629
Income tax payable		**73,866**	58,455
Borrowings	26	**224,537**	116,981
		1,866,728	1,566,413
Net Current Assets		**923,495**	177,825
Total Assets Less Current Liabilities		**3,929,402**	2,850,505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2018

	NOTES	31/8/2018 RMB'000	31/8/2017 RMB'000
Capital and Reserves			
Share capital	27	**9,255**	8,549
Reserves		**3,642,279**	2,420,638
Equity attributable to owners of the Company		**3,651,534**	2,429,187
Non-controlling interests	30	**40,295**	72,331
Total Equity		**3,691,829**	2,501,518
Non-Current Liabilities			
Deferred tax liabilities	25	**30,772**	41,822
Borrowings	26	**206,801**	307,165
		237,573	348,987
		3,929,402	2,850,505

The consolidated financial statements on pages 85 to 174 were approved and authorised for issue by the Board of Directors on 27 November 2018 and are signed on its behalf by:

Shu Liang Sherman Jen

Jingxia Zhang

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Shares held for restricted share award scheme RMB'000 (note a)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2016	8,418	771,094	–	(52,331)	552	193,223	4,522	1,096,007	2,021,485	–	2,021,485
Profit for the year	–	–	–	–	–	–	–	410,476	410,476	3,247	413,723
Other comprehensive income for the year	–	–	–	–	(3,402)	–	–	–	(3,402)	–	(3,402)
Total comprehensive income for the year	–	–	–	–	(3,402)	–	–	410,476	407,074	3,247	410,321
Acquisition of a subsidiary (Note 34c)	130	116,490	–	–	–	–	–	–	116,620	69,084	185,704
Transfer to statutory surplus reserve	–	–	–	–	–	12,160	–	(12,160)	–	–	–
Share-based payments	–	–	–	–	–	–	24,068	–	24,068	–	24,068
Dividends recognised as distribution	–	(142,901)	–	–	–	–	–	–	(142,901)	–	(142,901)
Dividends distributed to the restricted share award scheme	–	2,451	–	–	–	–	–	–	2,451	–	2,451
Exercise of share options	1	590	–	–	–	–	(201)	–	390	–	390
Shares vested under restricted share award scheme	–	–	–	9,614	–	–	(20,779)	11,165	–	–	–
At 31 August 2017	8,549	747,724	–	(42,717)	(2,850)	205,383	7,610	1,505,488	2,429,187	72,331	2,501,518
Profit for the year	–	–	–	–	–	–	–	542,830	542,830	(4,427)	538,403
Other comprehensive income for the year	–	–	–	–	8,490	–	–	–	8,490	–	8,490
Total comprehensive income for the year	–	–	–	–	8,490	–	–	542,830	551,320	(4,427)	546,893
Acquisition of a subsidiary (Note 34a)	–	–	–	–	–	–	–	–	–	47,939	47,939
Acquisition of additional interest in a subsidiary (Note c)	–	–	(2,040)	–	–	–	–	–	(2,040)	(75,548)	(77,588)
Issue of new shares (Note 27d)	705	813,099	–	–	–	–	–	–	813,804	–	813,804
Transfer to statutory surplus reserve	–	–	–	–	–	20,186	–	(20,186)	–	–	–
Share-based payments	–	–	–	–	–	–	57,356	–	57,356	–	57,356
Dividends recognised as distribution (Note 11)	–	(200,585)	–	–	–	–	–	–	(200,585)	–	(200,585)
Dividends distributed to the restricted share award scheme	–	2,114	–	–	–	–	–	–	2,114	–	2,114
Exercise of share options	1	555	–	–	–	–	(178)	–	378	–	378
Shares vested under restricted share award scheme	–	–	–	13,678	–	–	(48,055)	34,377	–	–	–
At 31 August 2018	9,255	1,362,907	(2,040)	(29,039)	5,640	225,569	16,733	2,062,509	3,651,534	40,295	3,691,829

Note a: *Shares held for restricted share award scheme is comprised of shares purchased from open market that are to be used for the share award scheme approved by the directors of the Company on 10 November 2014 (the "**Share Award Scheme**").*

Note b: *Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of the directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools:*

(i) *In accordance with relevant PRC regulations, for PRC subsidiaries with limited liability, it is required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits as determined in accordance with PRC accounting standards for each calendar year until the balance reaches 50% of the relevant PRC entity's registered capital.*

(ii) *According to the relevant PRC laws and regulations, for private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with PRC accounting standards in the PRC. The development fund shall be used for construction or maintenance of the school or procurement or upgrading of educational equipment.*

Note c: *On 24 November 2017, the Group acquired the remaining 47.6% of the issued share capital of Hainan Maple Leaf Science and Education Group Co., Ltd. ("**Hainan Science**") for a cash consideration of RMB56,166,000 and a waiver of accounts receivable amounted to RMB21,422,000 due from the non-controlling shareholder. The difference between the amount of non-controlling interests and the fair value of the consideration paid was recognised in other reserve.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**547,879**	440,662
Adjustments for:		
Amortisation of books for lease	**2,347**	2,610
Amortisation of intangible assets	**1,141**	595
Amortisation of prepaid lease payments	**5,823**	4,771
Depreciation of investment properties	**3,789**	3,795
Depreciation of property and equipment	**60,685**	47,396
Dividend income from held for trading investments	**(2,934)**	(140)
Exchange gain	**(31,754)**	(2,601)
Gain on disposal of property and equipment	**(151)**	(827)
Gain on disposal of interest in a joint venture	**(247)**	–
Interest expenses	**10,607**	7,957
Interest income	**(26,062)**	(23,848)
Loss (gain) on fair value change of held for trading investments	**12,853**	(3,497)
Share-based payments	**57,356**	24,068
Operating cash flows before movements in working capital	**641,332**	500,941
Increase in deferred revenue	**140,255**	189,199
Increase in deposits, prepayment and other receivables	**(15,690)**	(2,581)
Decrease (increase) in inventories	**1,834**	(8,784)
(Decrease) increase In other payables and accrued expenses	**(33,413)**	16,044
Cash generated from operations	**734,318**	694,819
Income tax paid	**(13,937)**	(12,505)
Interest received	**29,978**	16,367
NET CASH FROM OPERATING ACTIVITIES	**750,359**	698,681

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2018

	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES		
Government grants received	**24,700**	–
Proceeds on disposal of held for trading investments	**10,518**	24,502
Proceeds on disposal of property and equipment	**3,876**	1,067
Dividends received from held for trading investments	**2,934**	140
Proceeds on disposal of interest in a joint venture	**359**	–
Purchase of available-for-sale investments	**(246,000)**	–
Purchase of property and equipment	**(214,445)**	(224,071)
Net cash outflow from acquisition of subsidiaries (Note 34)	**(196,263)**	(3,714)
Purchase of held for trading investments	**(132,215)**	(21,491)
Payments for prepaid lease payments	**(9,860)**	(5,848)
Purchase of books for lease	**(1,733)**	(2,645)
Purchase of investment property (Note 34)	**–**	(330,833)
Acquisition of interest in a joint venture	**–**	(1,000)
NET CASH USED IN INVESTING ACTIVITIES	**(758,129)**	(563,893)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	**813,804**	–
Placement of restricted bank deposits	**(107,136)**	–
Release from restricted bank deposits	**107,136**	–
Placement of pledged bank deposits	**–**	(113,000)
Release from pledged bank deposits	**–**	110,000
New borrowings raised	**–**	437,392
Repayments of borrowings	**(4,670)**	(4,326)
Interest paid	**(10,607)**	(7,957)
Dividends paid	**(198,471)**	(140,450)
Proceeds from exercise of share options	**378**	390
Acquisition of additional interest in a subsidiary	**(56,166)**	–
NET CASH FROM FINANCING ACTIVITIES	**544,268**	282,049
NET INCREASE IN CASH AND CASH EQUIVALENTS	**536,498**	416,837
CASH AND CASH EQUIVALENTS AT 1 SEPTEMBER	**1,649,296**	1,237,902
Effect of foreign exchange rate changes	**34,900**	(5,443)
CASH AND CASH EQUIVALENTS AT 31 AUGUST REPRESENTED BY BANK BALANCES AND CASH	**2,220,694**	1,649,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2018

1. GENERAL

China Maple Leaf Educational Systems Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands ("**BVI**") and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is Maple Leaf Educational Park, 6 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the People's Republic of China ("**PRC**").

The Group operates a network of bilingual private schools and preschools in the PRC under the "**Maple Leaf**" brand, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education within the PRC.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Maple Leaf Educational Group Co., Ltd ("**Dalian Educational Group**"), Dalian Maple Leaf Science and Education Co., Ltd ("**Dalian Science and Education**"), Dalian Maple Leaf Foreign Nationals School ("**Dalian Foreign School**"), Wuhan Maple Leaf Foreign Nationals School ("**Wuhan Foreign School**") and Yiwu Maple Leaf Foreign Nationals School ("**Yiwu Foreign School**") ("**Consolidated Affiliated Entities**") in the PRC. The wholly-owned subsidiary, Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**"), has entered into the contractual arrangements (the "**Contractual Arrangements**") with the Consolidated Affiliated Entities and their respective equity holders, which enable Beipeng Software and the Group to:

– exercise effective financial and operational control over the Consolidated Affiliated Entities;

– exercise equity holders' voting rights of the Consolidated Affiliated Entities;

– receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beipeng Software;

– obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Beipeng Software may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Beipeng Software; and obtain a pledge over the entire equity interest of Dalian Educational Group and Dalian Science and Education from their equity holders as collateral security for all of Dalian Educational Group and Dalian Science and Education's payments due to Beipeng Software and to secure performance of Dalian Educational Group and Dalian Science and Education and their respective subsidiaries obligations under the Contractual Arrangements.

1. GENERAL (Continued)

There are no pledge agreements for Dalian Foreign School, Wuhan Foreign School and Yiwu Foreign School due to the PRC law restriction. To further enhance the Company's security over Dalian Foreign School, Wuhan Foreign School and Yiwu Foreign School, the Company segregated the duties of different people and functions to ensure that the company seals of Dalian Foreign School, Wuhan Foreign School and Yiwu Foreign School are properly secured, are within the full control of the Company and cannot be used without its permission.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities and income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements of the Group.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities' subsidiaries were included in the consolidated financial statements:

	2018 **RMB'000**	2017 RMB'000
Revenue	**1,027,772**	796,556
Profit before taxation	**540,032**	370,036

	31/8/2018 **RMB'000**	31/8/2017 RMB'000
Non-current assets	**2,071,486**	1,631,414
Current assets	**1,268,679**	1,378,498
Current liabilities	**(1,430,840)**	(1,195,153)

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of Annual Improvements to IFRSs 2014-2016 Cycle

Except as describe below, the application of the above new amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Asset between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[6]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *Effective for annual periods beginning on or after 1 January 2021*
5 *Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
6 *Effective for annual periods beginning on or after 1 January 2020*

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not effective (Continued)

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 August 2018, the directors of the Company (the "**Directors**") anticipate the following impact on initial application of IFRS9:

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not effective (Continued)

IFRS 9 Financial instruments (Continued)

Classification and measurement:

Financial instruments classified as available-for-sale investments carried at fair value as disclosed in note 20: the contractual cash flows are not solely receiving payments of principal and interest on the principal outstanding. The Group will measure these instruments at fair value under IFRS 9 with subsequent fair value gains or losses to be recognised in profit or loss. Upon the initial application of IFRS 9, the amount in investments revaluation reserve related to these available-for-sale investments will be transferred to retained profits at 1 September 2019.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not effective (Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 August 2018, the Group has non-cancellable operating lease commitments of RMB100,352,000, as disclosed in note 36. Preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB7,653,000 and refundable rental deposits received of RMB4,346,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets and accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment", leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

(i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

(ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace "share-based payment" arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent report dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain and loss being recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of joint venture other than profit and loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of returns, discounts and sales related tax.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Service income includes tuition fees from foreign schools, preschools, elementary schools, middle schools and high schools of the Group.

Tuition and boarding fees received from foreign schools, preschools, elementary schools, middle schools and high schools are generally paid in advance at the beginning of each school year or semester, or prepaid monthly, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not yet earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to June of the following year.

The Group also provides graduation consulting services and organises study tour and educational vacation activities to students. Revenue from such services are recognised when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to the Group and such benefit could be reliably measured.

The Group also rents educational books to students for high school education. Book rental fee is generally billed to a student at the beginning of an academic year and is recognised on a straight-line basis over the period of renting. Rental fees paid in advance are recorded as deferred revenue.

Revenue from the sale of goods and educational materials is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Leasing

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leaves and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried out at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a systematic basic over its useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets (or a cash-generating unit) for which the estimated future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

Books for lease

Books for lease are stated in the consolidated statement of financial position at cost less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any. Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the books' economic life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include held for trading investments, available-for-sale investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is designated as at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Financial instruments held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables, pledged bank deposits, restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale debt investments will be subsequently reversed through profit or loss if an increase in the fair value of investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value of equity-settled share-based payments determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For equity-settled share-based payments that vest immediately at the date of grant, the fair value of the equity-settled share-based payments granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When restricted shares are vested, the amount previously recognised in share-based payment reserve will be transferred to shares held for restricted share award scheme, with any difference recognized to retain earnings.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgment

The following is the critical accounting judgment, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of the Consolidated Affiliated Entities in the consolidated financial statements during both years.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful life and impairment of property and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2018, the carrying amount of property and equipment was RMB2,105,782,000 (2017: RMB1,814,438,000). Any change in these estimates may have a material impact on the results of the Group.

(b) Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Significant judgment and assumptions were required by management of the Group in assessing the impairment recoverable amounts of cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of students and tuition fee during the forecasting period in order to derive the net present value of the discounted future cash flow analysis. Where the actual future cash are less than expected, or change in facts and circumstances which results in downward revision of future cash, there will be a change of recoverable amount, a material impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately RMB165,968,000 (2017: RMB60,464,000). Details of the impairment loss assessment are set out in note 16.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from overseas studies consulting services and summer and winter camps provided to students, (iii) fees from renting educational books to students, and (iv) sales of goods and educational materials to students, less returns, discounts, and sales related tax.

The Group is mainly engaged in international school education in the PRC. The Group's chief operating decision maker ("**CODM**") has been identified as the Chief Executive Officer who reviews revenue analysis by services lines when making decisions about allocating resources and assessing performance of the Group. As there is no other discrete financial information available for assessment of the performance of different services, no segment information is presented.

The revenues attributable to the Group's service lines are as follows:

	2018 **RMB'000**	2017 RMB'000
Tuition and boarding fees	**1,108,733**	877,596
Others	**232,534**	205,586
	1,341,267	1,083,182

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2018 and 2017.

Geographical information

The Group primarily operates in the PRC. Except an investment property located in the Republic of Singapore ("**Singapore**") with the carrying amount of RMB332,592,000 as at August 31, 2018 (2017: RMB326,842,000), substantially most of the non-current assets of the Group are located in the PRC.

6. INVESTMENT AND OTHER INCOME

	2018 **RMB'000**	2017 RMB'000
Interest income from pledged bank deposits and term deposits	**25,054**	23,848
Rental income from investment properties	**15,054**	14,124
Government grant	**5,166**	5,906
Dividend income from held for trading investments	**2,934**	140
Interest income from wealth management products	**1,008**	–
Others	**5,045**	1,021
	54,261	45,039

7. OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Reversal of other payables	**56,847**	38,915
(Loss) gain from changes in fair value of held for trading investments	**(12,853)**	3,497
Net foreign exchange gain	**31,754**	2,601
Gain on disposal of property and equipment	**151**	827
Others	**(186)**	2,828
	75,713	48,668

8. TAXATION

	2018 RMB'000	2017 RMB'000
The charge comprises		
PRC Enterprise Income Tax ("**EIT**")	**29,348**	27,216
Deferred tax (Note 25)	**(19,872)**	(277)
	9,476	26,939

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**547,879**	440,662
Tax at PRC EIT rate of 25%	**136,970**	110,165
Tax effect of preferential tax rate granted	**(5,410)**	(4,072)
Tax effect of tax loss not recognised	**5,798**	3,738
Utilisation of tax loss previously not recognised	**(2,991)**	(1,014)
Tax effect of income not taxable for tax purposes	**(253,435)**	(209,459)
Tax effect of expenses not deductible for tax purposes	**128,544**	127,581
Tax charge for the year	**9,476**	26,939

8. TAXATION (Continued)

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited ("**Maple BVI**") was incorporated in the BVI. Both are tax exempted as no business is carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI, respectively.

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit for the years ended 31 August 2018 and 2017.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions.

Beipeng Software is entitled to High and New Technology Enterprise ("**HNTE**") status starting from the calendar year of 2017. Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from the calendar year of 2017. The HNTE status is valid for three years, and may be renewed at the end of three years.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. Dalian Maple Leaf International School (the "**Dalian High School**"), Dalian Maple Leaf International School (Middle School and Elementary School), Tianjin Teda Maple Leaf International School, Wuhan Maple Leaf International School, Wuhan Maple Leaf School, Zhenjiang Maple Leaf International School, Chongqing Maple Leaf International School, Tianjin Huayuan Maple Leaf International School, Shanghai Maple Leaf International School, Yiwu Maple Leaf International School affiliated School, Zhejiang Yiwu Maple Leaf International School, Hainan Maple Leaf International School, Huzhou Maple Leaf International School, Henan Maple Leaf International School and Xian Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus.

During the year ended 31 August 2018, non-taxable tuition income was RMB1,013,739,000 (2017: RMB837,835,000), and the related expense of RMB498,873,000 (2017: RMB364,867,000) was not deductible.

As at 31 August 2018, the Group had unused tax loss of RMB35,379,000 (2017: RMB29,106,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable profit streams. As of 31 August 2018, tax losses of RMB35,379,000 (2017: RMB29,106,000) will expire in various years before 2023 (2017: 2022).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB2,036,227,000 at 31 August 2018 (2017: RMB1,480,218,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. PROFIT FOR THE YEAR

	2018 **RMB'000**	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**512,400**	408,434
– retirement benefit scheme contributions	**24,632**	19,983
– share-based payments	**56,924**	23,644
Total staff costs	**593,956**	452,061
Gross rental income from investment properties	**(15,054)**	(14,124)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	**1,525**	2,205
Net rental income	**(13,529)**	(11,919)
Depreciation of property and equipment	**60,685**	47,396
Amortisation of prepaid lease payments	**5,823**	4,771
Depreciation of investment properties	**3,789**	3,795
Amortisation of books for lease	**2,347**	2,610
Amortisation of intangible assets	**1,141**	595
Auditors' remuneration	**2,680**	2,600

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

Directors and chief executives

Details of the emoluments paid to the Directors and the chief executives of the Company are as follows:

For the year ended 31 August 2018:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen	–	3,383	214	15	3,612
– Zhang Jingxia	–	1,891	370	–	2,261
– James William Beeke	–	773	411	–	1,184
Non-executive director					
– Howard Robert Balloch	429	–	411	–	840
Independent non-executive directors					
– Lap Tat Arthur Wong	354	–	355	–	709
– Peter Humphrey Owen	340	–	355	–	695
– Xiao Dan Mei (Note)	319	–	279	–	598
Total	1,442	6,047	2,395	15	9,899

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executives (Continued)

For the year ended 31 August 2017:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen	–	5,033	–	16	5,049
– Zhang Jingxia	–	2,721	–	–	2,721
– James William Beeke	–	708	–	–	708
Non-executive director					
– Howard Robert Balloch	409	–	–	–	409
Independent non-executive directors					
– Lap Tat Arthur Wong	371	–	–	–	371
– Peter Humphrey Owen	359	–	–	–	359
– Chak Kei Jack Wong (Note)	328	–	–	–	328
Total	1,467	8,462	–	16	9,945

Note: *Dr. Xiao Dan Mei, has been appointed as an independent non-executive Director of the Company and a member of audit committee, remuneration committee and nomination and corporate governance committee effective from 27 August 2017.*

Mr. Chak Kei Jack Wong, has resigned from his position as an independent non-executive director of the Company effective from 27 August 2017.

Mr. Sherman Jen is also the chief executive officer of the Company for both years, and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group included three directors for the year ended 31 August 2018 (2017: two) whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals for the year ended 31 August 2018 (2017: three), are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	**1,300**	3,530
Share-based payments	**580**	264
Retirement benefit scheme contributions	**18**	24
	1,898	3,818

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	2018 No. of employees	2017 No. of employees
Hong Kong Dollars ("**HK$**") nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1

No inducement paid or payable by the Group to the Directors to join or upon joining the Group and no Directors has waived any remuneration during both years.

11. DIVIDENDS

During the year ended 31 August 2018, a final dividend of HK$4.3 cents (equivalent to approximately RMB3.5 cents) per share (total dividend of RMB104,423,000) in respect of the year ended 31 August 2017 and an interim dividend of HK$4.0 cents (equivalent to approximately RMB3.3 cents) per share (total dividend of RMB96,162,000) in respect of the six months period ended 28 February 2018 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

During the year ended 31 August 2017, a final dividend of HK$2.9 cents (equivalent to approximately RMB2.6 cents) per share (total dividend of RMB69,792,000) in respect of the year ended 31 August 2016 and an interim dividend of HK$3.0 cents (equivalent to approximately RMB2.7 cents) per share (total dividend of RMB73,109,000) in respect of the six months period ended 28 February 2017 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

11. DIVIDENDS (Continued)

A final dividend of HK$5.1 cents (equivalent to approximately RMB4.5 cents) per share in respect of the year ended 31 August 2018 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

The number of shares adopted in the calculation of the dividend for the year ended 31 August 2018 and 2017 has been retrospectively adjusted to reflect the Share Subdivision disclosed and as defined in note 27 which became effective on 9 July 2018.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 August 2018 and 2017 were based on the following data:

	2018 RMB'000	2017 RMB'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**542,830**	410,476

	2018 Number of shares '000	2017 Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,853,896**	2,680,185
Effect of dilutive potential ordinary shares:	**5,070**	5,260
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,858,966**	2,685,445

The number of shares adopted in the calculation of the basic earnings per share and the diluted earnings per share for the year ended 31 August 2018 and 2017 has been retrospectively adjusted to reflect the Share Subdivision disclosed and as defined in note 27 that became effective on 9 July 2018.

The number of shares adopted in the calculation of the basic earnings per share for the year ended 31 August 2018 and 2017 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 September 2016	1,628,584	12,780	9,578	26,389	73,883	15,418	1,766,632
Additions	9,764	799	3,305	11,121	7,714	200,568	233,271
Acquired on acquisition of subsidiaries	119,200	–	930	341	2,617	–	123,088
Transfer from construction in progress	12,688	638	–	–	–	(13,326)	–
Disposals	–	(332)	(1,770)	(1,466)	(746)	–	(4,314)
Exchange adjustment	–	–	–	–	–	(132)	(132)
At 31 August 2017	1,770,236	13,885	12,043	36,385	83,468	202,528	2,118,545
Additions	**5,401**	**226**	**988**	**7,754**	**17,779**	**146,447**	**178,595**
Acquired on acquisition of subsidiaries	**–**	**111,151**	**1,229**	**3,306**	**5,350**	**55,900**	**176,936**
Transfer from construction in progress	**280,426**	**–**	**–**	**–**	**–**	**(280,426)**	**–**
Disposals	**(1,256)**	**–**	**(1,125)**	**(1,336)**	**(4,069)**	**–**	**(7,786)**
Exchange adjustment	**–**	**–**	**–**	**–**	**–**	**353**	**353**
At 31 August 2018	**2,054,807**	**125,262**	**13,135**	**46,109**	**102,528**	**124,802**	**2,466,643**
DEPRECIATION							
At 1 September 2016	188,997	3,582	6,440	12,965	48,801	–	260,785
Provided for the year	34,052	620	1,195	3,018	8,511	–	47,396
Eliminated on disposals	–	(310)	(1,682)	(1,378)	(704)	–	(4,074)
At 31 August 2017	223,049	3,892	5,953	14,605	56,608	–	304,107
Provided for the year	**38,479**	**5,595**	**1,448**	**3,338**	**11,825**	**–**	**60,685**
Eliminated on disposals	**(509)**	**–**	**(1,040)**	**(376)**	**(2,006)**	**–**	**(3,931)**
At 31 August 2018	**261,019**	**9,487**	**6,361**	**17,567**	**66,427**	**–**	**360,861**
CARRYING VALUES							
At 31 August 2018	**1,793,788**	**115,775**	**6,774**	**28,542**	**36,101**	**124,802**	**2,105,782**
At 31 August 2017	1,547,187	9,993	6,090	21,780	26,860	202,528	1,814,438

13. PROPERTY AND EQUIPMENT (Continued)

The above items of property and equipment, other than construction in progress, after taking into account their estimated residual value of 5% of the cost, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.9% to 3.2%
Leasehold improvements	over the shorter of the term of the lease
Motor vehicles	19%
Furniture and fixtures	11.9% to 19%
Computer equipment	19%

The Group's buildings are situated on land in the PRC held by the Group under medium-term lease.

At 31 August 2018, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB241,513,000 (2017: RMB155,943,000) which are located in the PRC.

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease and are analysed for reporting purposes as:

	31/8/2018 **RMB'000**	31/8/2017 RMB'000
Current assets (included in deposits, prepayment and other receivables)	**5,786**	5,786
Non-current assets	**207,628**	203,591
	213,414	209,377

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 29 to 50 years as stated in the relevant land use right certificates granted for usage by the Group.

At 31 August 2018, the carrying value of the land use right of RMB35,903,000 (2017: RMB36,872,000) is granted by the government. The Group is legally entitled to use these land use rights for 50 years which is stated in the corresponding state-owned land use certificate. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage these land use rights granted by the government.

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 September 2016	18,675
Additions	333,685
Exchange adjustments	(3,676)
At 31 August 2017	348,684
Exchange adjustments	**9,092**
At 31 August 2018	**357,776**
DEPRECIATION	
At 1 September 2016	7,107
Provided for the year	3,795
Exchange adjustments	(16)
At 31 August 2017	10,886
Provided for the year	**3,789**
Exchange adjustments	**165**
At 31 August 2018	**14,840**
CARRYING VALUES	
At 31 August 2018	**342,936**
At 31 August 2017	337,798

The fair value of the Group's investment properties at 31 August 2018 was RMB372,674,000 (2017: RMB363,582,000). The fair value has been arrived at based on a valuation carried out by Debenham Tie Leung Limited ("**DTZ**") and Savills Valuation And Professional Service (S) Pte Ltd. ("**Savills**"). DTZ is a member of the Hong Kong Institute of Surveyors, Savills is a member of the Singapore Institute of Valuers and Surveyors. Both DTZ and Savills are independent valuers not connected with the Group. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

15. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Carrying value RMB'000	Level 3 Fair value RMB'000
Commercial property units located in the PRC		
At 31 August 2018	**10,344**	**33,000**
At 31 August 2017	10,956	33,000

	Carrying value RMB'000	Level 3 Fair value RMB'000
Commercial property units located in Singapore		
At 31 August 2018	**332,592**	**339,674**
At 31 August 2017	326,842	330,582

The above investment properties are depreciated on a straight-line basis at 1% and 3.2% per annum, respectively. The Group's investment properties are situated on land in the PRC and Singapore, the investment properties located in Singapore have been pledged to secure banking borrowing of the Group (note 26).

16. GOODWILL

	2018 RMB'000	2017 RMB'000
COST AND CARRYING VALUES		
At 1 September	**60,464**	12,399
Arising on acquisition of subsidiaries	**105,504**	48,065
At 31 August	**165,968**	60,464

16. GOODWILL (Continued)

The goodwill arose from acquisitions of Dalian Maple Leaf Lanxi Wenyuan Preschool ("**Lanxi**") in June 2017, Dalian Maple Leaf Jinhai Preschool ("**Jinhai**") in April 2009, Jingzhou Maple Leaf International School ("**Jingzhou**") in August 2015, Hainan Science and Education Group Co., Ltd. (subsequently renamed as Hainan Maple Leaf Science and Education Group Co., Ltd, "**Hainan Science**") in May 2017, Yisidun International Education Investment (Shenzhen) Co., Ltd ("**Yisidun**") in January 2018 and Haikou Meishe Qianyan Educational Management Co., Ltd. ("**Meishe**"), Haikou Meicheng Qianyan Educational Management Co., Ltd. ("**Meicheng**"), Haikou Meihua Qianyan Educational Management Co., Ltd. ("**Meihua**"), Haikou Meiwen Qianyan Educational Technology Co., Ltd. ("**Meiwen**") and Haikou Changchunteng Qianyan Educational Management Co., Ltd. ("**Changchunteng**") (collectively the "**Five Meis**") in June 2018, respectively. Goodwill arose on acquisition of subsidiaries are allocated to the cash-generating units that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows:

	31/8/2018 **RMB'000**	31/8/2017 RMB'000
Cash-generating units:		
Lanxi	**1,026**	1,026
Jinhai	**956**	956
Jingzhou	**10,417**	10,417
Hainan Science	**48,065**	48,065
Yisidun	**30,453**	–
Meishe	**24,119**	–
Meicheng	**6,205**	–
Meihua	**6,798**	–
Meiwen	**26,111**	–
Changchunteng	**11,818**	–
	165,968	60,464

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. During the years ended 31 August 2018 and 2017, management of the Group determines that there is no impairments of any of its cash-generating units containing goodwill.

The recoverable amount of the each cash-generating unit has been determined based on value in use calculation. The calculation use cash flow projections based on financial budgets approved by management covering a five-year period and discount rate. Extrapolated growth rate used in cash flow projections is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on each cash-generating unit's past performance and management's expectations for future market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each cash-generating unit to exceed its aggregate recoverable amount. The major underlying assumptions are summarised below:

16. GOODWILL (Continued)

	Discount rate 2018	Discount rate 2017	Extrapolated growth rate 2018	Extrapolated growth rate 2017
Lanxi	**18%**	18%	**3%**	3%
Jinhai	**18%**	18%	**3%**	3%
Jingzhou	**18%**	18%	**3%**	3%
Hainan Science	**18%**	18%	**3%**	3%
Yisidun	**22%**	N/A	**3%**	N/A
Meishe	**17.5%**	N/A	**3%**	N/A
Meicheng	**19%**	N/A	**3%**	N/A
Meihua	**18%**	N/A	**3%**	N/A
Meiwen	**18%**	N/A	**3%**	N/A
Changchunteng	**18%**	N/A	**3%**	N/A

17. OTHER INTANGIBLE ASSETS

	Student base RMB'000	Licence RMB'000	Favorable lease RMB'000	Total RMB'000
COST				
At 1 September 2016	400	300	–	700
Acquired on acquisition of a subsidiary	6,400	900	–	7,300
At 31 August 2017	6,800	1,200	–	8,000
Acquired on acquisition of subsidiaries	**26,300**	**300**	**6,200**	**32,800**
At 31 August 2018	**33,100**	**1,500**	**6,200**	**40,800**
AMORTISATION				
At 1 September 2016	67	171	–	238
Provided for the year	378	217	–	595
At 31 August 2017	445	388	–	833
Provided for the year	**254**	**334**	**553**	**1,141**
At 31 August 2018	**699**	**722**	**553**	**1,974**
CARRYING VALUES				
At 31 August 2018	**32,401**	**778**	**5,647**	**38,826**
At 31 August 2017	6,355	812	–	7,167

17. OTHER INTANGIBLE ASSETS (Continued)

All of the Group's student base, licence and favorable lease were acquired through business combination. Student base and favorable lease has finite estimated useful life and they are amortised on expected usage of the intangible assets. Licence has finite estimated useful life and it is amortised on the straight-line basis over the following periods.

Licence:	1.75 – 4 years

18. PLEDGED BANK DEPOSITS

	31/8/2018 **RMB'000**	31/8/2017 RMB'000
Deposits pledged for banking facilities	**245,000**	245,000
Analysed for reporting purposes as:		
Current assets disclosed as pledged bank deposits	**113,000**	–
Non-current assets disclosed as pledged bank deposits	**132,000**	245,000
	245,000	245,000

The amount represents bank deposits pledged to banks as security for certain banking facilities granted to the Group.

Dalian Educational Group, a subsidiary of the Company, entered into a banking facility agreement with Bank of China on 17 November 2016. Bank deposits of RMB113,000,000 placed with the bank at the interest rate of 2.63% per annum is pledged with the bank for a period of two years.

Dalian Educational Group entered into another banking facility agreement with United Overseas Bank on 23 August 2016. Bank deposits of RMB132,000,000 placed with the bank at the interest rate of 2.61% per annum is pledged with the bank for a period of four years.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/8/2018 RMB'000	31/8/2017 RMB'000
Receivable from third parties	**31,374**	20,319
Management fees receivables	**13,132**	14,898
Other deposits	**7,653**	9,579
Interest receivables	**5,599**	9,515
Prepaid lease payments	**5,786**	5,786
Prepaid rent and other prepaid expenses	**4,176**	5,815
Staff advances	**1,765**	970
Others	**7,297**	9,855
	76,782	76,737

20. AVAILABLE-FOR-SALE INVESTMENTS

	31/8/2018 RMB'000	31/8/2017 RMB'000
Wealth management products	**246,000**	–

Wealth management products are purchased from various banks with expected rate of return ranging from 1.35% to 3.9% per annum, and maturity period ranging from 90 days to 92 days. The returns of these wealth management products are not guaranteed.

21. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	31/8/2018 RMB'000	31/8/2017 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	**116,770**	–

The fair value of equity securities listed in Hong Kong was determined based on the quoted closing price available on the Stock Exchange at 31 August 2018.

22. BANK BALANCES AND CASH

Bank balance and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 August 2018, the Group's bank deposits carry interest at market rates which range from 0.30% to 2.5% per annum (31 August 2017: 0.30% to 2.6%) per annum.

At the end of each year, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	31/8/2018 RMB'000	31/8/2017 RMB'000
Currency:		
HK$	**609,966**	119,889
United States dollar ("**USD**")	**245,779**	10,557
Canadian dollar ("**CAD**")	**13,226**	14,674
Singapore dollar ("**SGD**")	**2,748**	3,191
Australian dollar ("**AUD**")	**15**	–
	871,734	148,311

23. DEFERRED REVENUE

	31/8/2018 RMB'000	31/8/2017 RMB'000
Tuition and boarding fees	**1,111,033**	957,263
Others	**57,840**	51,085
	1,168,873	1,008,348

24. OTHER PAYABLES AND ACCRUED EXPENSES

	31/8/2018 **RMB'000**	31/8/2017 RMB'000
Miscellaneous expenses received from students (Note)	**181,865**	185,127
Payables for purchase of property and equipment	**96,275**	97,266
Deposits received from students	**17,920**	20,402
Accrued payroll	**21,234**	19,949
Contingent consideration in business combination	**4,600**	–
Acquisition consideration payable	**9,076**	–
Other tax payables	**12,354**	11,740
Payables for purchase of goods	**2,882**	4,400
Prepayment from lessee	**4,346**	3,676
Payable for land use right	**3,000**	3,000
Accrued operating expenses	**6,130**	1,925
Others	**39,770**	35,144
	399,452	382,629

Note: The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities provided and movements thereon during the current and prior years:

	Fair value adjustment on assets acquired through business combination RMB'000	**Services income (Note)** RMB'000	**Total** RMB'000
At 1 September 2016	2,104	19,171	21,275
Credit to profit or loss	(277)	–	(277)
Acquisition of a subsidiary	20,824	–	20,824
At 31 August 2017	22,651	19,171	41,822
Credit to profit or loss	**(701)**	**(19,171)**	**(19,872)**
Acquisition of subsidiaries	**8,822**	**–**	**8,822**
At 31 August 2018	**30,772**	**–**	**30,772**

Note: The amount represents the deferred tax liabilities on the temporary differences arising from the services income earned by Beipeng Software from the Consolidated Affiliated Entities under the Contractual Arrangements.

Tax authority conducted a tax status inspection on Beipeng Software for the calendar year 2012 to 2017. Based on the conclusion of this tax status inspection, management of the Group believes that the chance to settle the deferred tax liabilities on the temporary differences arising from the services income earned by Beipeng Software from the Consolidated Affiliated Entities under the Contractual Arrangements is remote, thus the amount is reversed during 2018.

26. BORROWINGS

	31/8/2018 RMB'000	31/8/2017 RMB'000
Secured bank borrowings	**431,338**	424,146
The carrying amounts of the above borrowings are repayable:		
Within one year	**224,537**	116,981
Within a period of more than one year but not exceeding two years	**4,795**	101,232
Within a period of more than two years but not exceeding five years	**202,006**	205,933
	431,338	424,146
Less: Amounts due within one year shown under current liabilities	**(224,537)**	(116,981)
Amounts shown under non-current liabilities	**206,801**	307,165

*Note: During the financial year ended 31 August 2017, the Group obtained bank loans amount to SGD67,303,000 (equivalent to RMB330,833,000) and HK$120,000,000 (equivalent to RMB106,559,000). The bank loans are secured by pledged deposits of RMB245,000,000 of Dalian Educational Group, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Leaf Education Hillside Pte. Limited ("**Maple Hillside**"). The loans carry interest at variable interest rates from 1.32% to 3.34% (31 August 2017:1.14% to 2.77%) per annum.*

27. SHARE CAPITAL

	Number of shares '000	Amount USD'000	Shown in the consolidated financial statements as RMB'000
Authorised			
At 1 September 2016 and 31 August 2017	4,000,000	4,000	
Subdivision of ordinary shares (Note e)	4,000,000	–	
At 31 August 2018	8,000,000	4,000	
Issued and fully paid			
At 1 September 2016	1,360,751	1,361	8,418
Exercise of share options (Note a)	100	–	1
Issued in consideration for acquisition of a subsidiary (Note b)	18,637	19	130
At 31 August 2017	1,379,488	1,380	8,549
Exercise of share options (Note c)	105	–	1
Issue of new shares (Note d)	110,000	110	705
Subdivision of ordinary shares (Note e)	1,489,592	–	–
At 31 August 2018	2,979,185	1,490	9,255

Notes:

a. *During the year ended 31 August 2017, options to subscribe for 100,000 ordinary shares with par value of USD0.001 per share were exercised at RMB3.90 per share. These shares rank pari passu with other shares in issue in all respect.*

b. *On 12 May 2017, the Company issued 18,636,733 ordinary shares at par value of USD0.001 each to Hainan National Science Park Educational Management Co., Ltd and Haikou Baifuyuan Trading Co., Ltd (the "**Vendors**") to acquire 52.4% equity interest in Hainan Science. At the date of acquisition, the fair value of ordinary shares was HK$7.07(equivalent to RMB6.26) per share. These shares rank pari passu with other shares in issue in all respect.*

c. *During the year ended 31 August 2018, options to subscribe for 100,000 ordinary shares with par value of US$0.001 per share were exercised at HK$4.40 (equivalent to RMB3.73) per share. Options to subscribe for 5,035 ordinary shares with par value of US$0.001 per share were exercised at HK$1.15 (equivalent to RMB0.96) per share. These shares rank pari passu with other shares in issue in all respect.*

d. *On 17 January 2018, the Company issued 110,000,000 new shares at a price of HK$9.10 (equivalent to approximately RMB7.48) per share by way of placement to not less than six individuals, who and whose ultimate beneficial owner are independent third parties. The net proceeds from the subscription amounted to approximately HK$989,465,000 (equivalent to approximately RMB813,804,000).*

e. *On 9 July 2018, each of the authorised ordinary shares of par value of US$0.001 is hereby subdivided into two ordinary shares of par value of US$0.0005. Such subdivided shares shall rank pari passu in all respects with each other (the "**Share Subdivision**").*

28. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

29. SHARE-BASED PAYMENTS

Share Award Scheme

The number of restricted shares disclosed below has been retrospectively adjusted to reflect the Share Subdivision that became effective on 9 July 2018 (note 27).

The Company adopted the Share Award Scheme on 28 April 2015 for the primary purpose of providing incentives to directors, eligible employees and consultants (the "**Selected Participants**"). During the year ended 31 August 2015, the Trustee purchased 62,160,000 shares of the Company on the Stock Exchange at a total consideration of HK$74,743,000 (equivalent to RMB58,982,000) for the Share Award Scheme.

The maximum number of award shares which may be granted to Selected Participants but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares of the Company from time to time.

The Company has appointed a trustee (the "**Trustee**") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee purchases the Company's shares being awarded from the open market using cash contributed by the Company to satisfy awards made under the Share Award Scheme.

29. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

Details of the restricted share granted under Share Award Scheme are as follows:

Restricted shares type	Date of grant	Restricted shares granted	Vesting date/period	Fair value at grant date RMB
Share Award Scheme-1st	1 March 2016	5,546,000	31 May 2016	1.79
Share Award Scheme-2nd	1 March 2016	4,862,000	31 May 2017	1.79
Share Award Scheme-3rd	1 March 2016	2,452,000	31 May 2018	1.79
Share Award Scheme-4th	20 June 2016	1,464,390	20 June 2016 – 31 July 2016	2.83
Share Award Scheme-5th	3 March 2017	5,580,000	31 May 2017	2.25
Share Award Scheme-6th	3 March 2017	4,704,000	31 May 2018	2.25
Share Award Scheme-7th	3 March 2017	696,000	31 May 2019	2.25
Share Award Scheme-8th	13 March 2017	161,792	13 March 2017	2.63
Share Award Scheme-9th	22 December 2017	280,000	22 December 2017	3.78
Share Award Scheme-10th	12 March 2018	100,000	12 March 2018	4.28
Share Award Scheme-11th	13 March 2018	13,348,000	31 May 2018 – 31 May 2020	4.31
Share Award Scheme-12th	27 August 2018	158,000	27 August 2018	3.94

Movements of the restricted shares granted under Share Award Scheme during the year ended 31 August 2018 and 2017 are as follows:

For the financial year ended 31 August 2018

	Restricted shares type	Outstanding at 1 September 2017	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 August 2018
Executive director						
James William Beeke	Share Award Scheme-9th	–	60,000	(60,000)	–	–
Non-executive director						
Howard Robert Balloch	Share Award Scheme-9th	–	60,000	(60,000)	–	–
Independent non-executive director						
Lap Tat Arthur Wong	Share Award Scheme-9th	–	60,000	(60,000)	–	–
Peter Humphrey Owen	Share Award Scheme-9th	–	60,000	(60,000)	–	–
Xiaodan Mei	Share Award Scheme-9th	–	40,000	(40,000)	–	–
Employees	Share Award Scheme-3rd	2,160,000	–	(2,056,000)	(104,000)	–
	Share Award Scheme-6th	4,684,000	–	(4,216,000)	(468,000)	–
	Share Award Scheme-7th	696,000	–	–	(64,000)	632,000
	Share Award Scheme-11th	–	13,348,000	(7,604,000)	(554,000)	5,190,000
	Share Award Scheme-12th	–	158,000	(158,000)	–	–
Consultant (Note)	Share Award Scheme-10th	–	100,000	(100,000)	–	–
Total		7,540,000	13,886,000	(14,414,000)	(1,190,000)	5,822,000

29. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

For the financial year ended 31 August 2017

	Restricted shares type	Outstanding at 1 September 2016	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 August 2017
Employees	Share Award Scheme-2nd	4,478,000	–	(4,398,000)	(80,000)	–
	Share Award Scheme-3rd	2,200,000	–	–	(40,000)	2,160,000
	Share Award Scheme-5th	–	5,580,000	(5,572,000)	(8,000)	–
	Share Award Scheme-6th	–	4,704,000	–	(20,000)	4,684,000
	Share Award Scheme-7th	–	696,000	–	–	696,000
Consultant	Share Award Scheme-8th	–	161,792	(161,792)	–	–
Total		6,678,000	11,141,792	(10,131,792)	(148,000)	7,540,000

Pursuant to the Share Award Scheme, the vesting of the 2nd, 3rd, 5th, 6th, 7th and 11th trench of the restricted shares are subject to satisfaction of certain performance conditions. These performance conditions including targets on the Group's annual revenue and net profit excluding all exceptional and non-recurring items in the consolidated statement of profit or loss exceed a specified amount.

The 9th trench of the restricted shares granted on 22 December 2017, fully vested on 13 February 2018 without any performance conditions.

The 10th trench of the restricted shares granted to Queenswood International Education Services Inc on 12 March 2018 for consulting services provided, fully vested immediately on the grant date.

The 12th trench of the restricted shares granted on 27 August 2018, fully vested on 27 August 2018 without any performance conditions.

The Group recorded share-based compensation expense of RMB50,346,000 for the year ended 31 August 2018 (2017: RMB23,810,000), in relation to the restricted shares granted by the Company under the Share Award Scheme.

29. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme

The Company's Post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was approved and adopted by the Company on 10 November 2014 to take effect from 28 November 2014 for the purpose of enabling the Company to grant options to the Selected Participants as incentives or rewards for their contributions to the Group.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company from time to time.

The number of option shares disclosed below has been retrospectively adjusted to reflect the Share Subdivision that became effective on 9 July 2018.

Details of share options granted are as follows:

Tranche	Date of grant	Date of expiration	Option granted	Vesting date	Exercisable period	Exercise price HK$	Fair value at grant date HK$
Post-IPO-1st	16 February 2016	15 February 2026	400,000	1 March 2017	1 March 2017-15 February 2026	2.20	1.14
Post-IPO-2nd	16 February 2016	15 February 2026	400,000	1 March 2018	1 March 2018-15 February 2026	2.20	1.19
Post-IPO-3rd	16 February 2016	15 February 2026	400,000	1 March 2019	1 March 2019-15 February 2026	2.20	1.23
Post-IPO-4th	14 June 2018	15 February 2026	6,768,000	1 January 2019-1 January 2023	1 January 2019-31 January 2023	7.22	2.16
Post-IPO-5th	14 June 2018	15 February 2026	43,500,000	1 January 2019-1 January 2023	1 January 2019-31 January 2023	7.22	2.16

29. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Movements of the Company's share options granted under the Post-IPO Share Option Scheme during the financial year ended 31 August 2018 are as followings:

	Date of grant	Option type	Outstanding at 1 September 2017	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 August 2018
Executive director							
Sherman Jen	14 June 2018	Post-IPO-4th	–	692,000	–	–	692,000
Zhang Jingxia	14 June 2018	Post-IPO-4th	–	2,000,000	–	–	2,000,000
James William Beeke	14 June 2018	Post-IPO-4th	–	1,000,000	–	–	1,000,000
Non-executive director and vice chairman							
Howard Robert Balloch	14 June 2018	Post-IPO-4th	–	1,000,000	–	–	1,000,000
Independent non-executive director							
Peter Humphrey Owen	14 June 2018	Post-IPO-4th	–	692,000	–	–	692,000
Xiaodan Mei	14 June 2018	Post-IPO-4th	–	692,000	–	–	692,000
Lap Tat Arthur Wong	14 June 2018	Post-IPO-4th	–	692,000	–	–	692,000
Employees							
In aggregate	16 February 2016	Post-IPO-1st	200,000	–		(200,000)	–
	16 February 2016	Post-IPO-2nd	200,000	–	(200,000)		–
	16 February 2016	Post-IPO-3rd	200,000	–	(200,000)		–
	14 June 2018	Post-IPO-5th	–	43,500,000	(400,000)		43,100,000
Total			600,000	50,268,000	(800,000)	(200,000)	49,868,000
Exercisable at the end of the year							–

For the year ended 31 August 2017

	Date of grant	Option type	Outstanding at 1 September 2016	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 August 2017
Employees							
In aggregate	16 February 2016	Post-IPO-1st	400,000	–	–	(200,000)	200,000
	16 February 2016	Post-IPO-2nd	400,000	–	(200,000)		200,000
	16 February 2016	Post-IPO-3rd	400,000	–	(200,000)	–	200,000
Total			1,200,000	–	(400,000)	(200,000)	600,000
Exercisable at the end of the year							200,000

29. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Pursuant to the Scheme, the 4th and 5th trench of options granted under the Post-IPO Share Option Scheme shall be vested during the vesting period starting from the grant date (the "**vesting commencement date**") and ending on the expiry of the vesting period in the following manner:

(1) 20% of the option will be exercisable during the period from 1 January 2019 to 31 January 2019;

(2) 20% of the option will be exercisable during the period from 1 January 2020 to 31 January 2020;

(3) 20% of the option will be exercisable during the period from 1 January 2021 to 31 January 2021;

(4) 20% of the option will be exercisable during the period from 1 January 2022 to 31 January 2022; and

(5) 20% of the option will be exercisable during the period from 1 January 2023 to 31 January 2023.

The following variables and assumptions were used to calculate the fair values of share options granted at the grant date:

	Post-IPO 4th				
	Batch1	Batch2	Batch3	Batch4	Batch5
Grant date share price (HK$)	7.07	7.07	7.07	7.07	7.07
Exercise price (HK$)	7.22	7.22	7.22	7.22	7.22
Expected volatility	44.90%	45.50%	49.60%	51.60%	51.60%
Contractual option life	0.6	1.6	2.6	3.6	4.6
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	1.80%	2.00%	2.20%	2.30%	2.40%
Exercise multiple	2.80	2.80	2.80	2.80	2.80

	Post-IPO 5th				
	Batch1	Batch2	Batch3	Batch4	Batch5
Grant date share price (HK$)	7.07	7.07	7.07	7.07	7.07
Exercise price (HK$)	7.22	7.22	7.22	7.22	7.22
Expected volatility	44.90%	45.50%	49.60%	51.60%	51.60%
Contractual option life	0.6	1.6	2.6	3.6	4.6
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	1.80%	2.00%	2.20%	2.30%	2.40%
Exercise multiple	2.20	2.20	2.20	2.20	2.20

29. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

In calculating the fair value of the options under Post-IPO Share Option Scheme, the following major assumptions were used:

(1) **Risk-free interest rate**
The risk-free interest rate for periods within the contractual life of the option is based on the yield to maturity of the PRC Government International Bond as of the grant date with maturity closest to the relevant option expiry date.

(2) **Dividend yield**
Under the Post-IPO Share Option Scheme, it is assumed that the dividend yield to ordinary shares during the expected life of the option is 0.00%.

(3) **Expected volatility**
Expected volatility is calculated with reference to the historical price volatility data of comparable companies.

(4) **Contractual option life**
The option life was the original contractual term.

(5) **Exercise multiple**
A ratio of the stock price to the contractual strike price at which point it is assumed that the option will be exercised prior to maturity.

(6) **Exercise price**
The exercise price of the option was determined by the Directors.

(7) **Fair value of ordinary share**
Fair value of ordinary share was the closing price in the open market at the grant date.

29. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

The binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

The Group recorded share-based compensation expense of RMB7,010,000 for the financial year ended 31 August 2018 (2017: RMB258,000), in relation to the share options granted under the Post-IPO Share Option Scheme.

Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted pursuant to a resolution passed on 1 April 2008 for the primary purpose of providing incentives to directors and eligible employees.

The number of option shares disclosed below has been respectively adjusted to reflect the Share Subdivision that became effective on 9 July 2018.

Under the Pre-IPO Share Option Scheme, the Directors may grant options to eligible directors, employees and consultants to subscribe for shares in the Company, up to a total of 66,702,832 shares.

Details of specific category of options granted under the Pre-IPO Share Option Scheme are as follows:

Options type	Date of grant	Date of expiration	Options granted	Vesting period	Exercisable period	Exercise price RMB	Fair value at grant date RMB
Pre-IPO-1st	1 September 2008	31 August 2018	32,548,412	1 September 2008 – 31 August 2012	1 September 2009 – 31 August 2018	0.47	0.12
Pre-IPO-2nd	1 September 2009	31 August 2019	6,852,298	1 September 2009 – 31 August 2013	1 September 2010 – 31 August 2019	0.47	0.14
Pre-IPO-3rd	2 June 2014	1 June 2024	27,302,122	2 June 2014 – 28 November 2014	28 November 2014- 1 June 2024	0.47	0.56

29. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

Movements of the Company's share options granted under the Pre-IPO Share Option Scheme are as follows:

For the year ended 31 August 2018

	Date of grant	Option type	Outstanding at 1 September 2017	Granted during the year	Expired during the year	Exercised during the year	Outstanding at 31 August 2018
Executive director							
Sherman Jen	2 June 2014	Pre-IPO-3rd	**4,030**	**–**	**–**	**(4,030)**	**–**
Zhang Jingxia	2 June 2014	Pre-IPO-3rd	**2,014**	**–**	**–**	**(2,014)**	**–**
James William Beeke	2 June 2014	Pre-IPO-3rd	**1,342**	**–**	**–**	**(1,342)**	**–**
Independent non-executive director							
Peter Humphrey Owen	2 June 2014	Pre-IPO-3rd	**1,342**	**–**	**–**	**(1,342)**	**–**
Employees and consultants							
In aggregate	1 September 2008	Pre-IPO-1st	**13,564**	**–**	**(12,222)**	**(1,342)**	**–**
	1 September 2009	Pre-IPO-2nd	**323,148**	**–**	**–**	**–**	**323,148**
	2 June 2014	Pre-IPO-3rd	**5,978**	**–**	**–**	**–**	**5,978**
Total			**351,418**	**–**	**(12,222)**	**(10,070)**	**329,126**
Exercisable at the end of the year							**329,126**

For the year ended 31 August 2017

	Date of grant	Option type	Outstanding at 1 September 2016	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 August 2017
Executive director							
Sherman Jen	2 June 2014	Pre-IPO-3rd	4,030	–	–	–	4,030
Zhang Jingxia	2 June 2014	Pre-IPO-3rd	2,014	–	–	–	2,014
Liu Zhenwan	2 June 2014	Pre-IPO-3rd	2,014	–	(2,014)	–	–
James William Beeke	2 June 2014	Pre-IPO-3rd	1,342	–	–	–	1,342
Independent non-executive director							
Peter Humphrey Owen	2 June 2014	Pre-IPO-3rd	1,342	–	–	–	1,342
Employees and consultants							
In aggregate	1 September 2008	Pre-IPO-1st	13,564	–	–	–	13,564
	1 September 2009	Pre-IPO-2nd	323,148	–	–	–	323,148
	2 June 2014	Pre-IPO-3rd	5,978	–	–	–	5,978
Total			353,432	–	(2,014)	–	351,418
Exercisable at the end of the year							351,418

29. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

The Group recognised the total expense of nil for the year ended 31 August 2018 and 2017 in relation to the Pre-IPO share options granted by the Company.

30. NON-CONTROLLING INTERESTS

	Year ended 31/8/2018 RMB'000	Year ended 31/8/2017 RMB'000
Balance at beginning of the year	**72,331**	–
Share of (loss)/profit for the year	**(4,427)**	3,247
Non-controlling interests arising on the acquisition of Yisidun (Note 34)	**47,939**	69,084
Acquisition of non-controlling interest in a subsidiary	**(75,548)**	–
Balance at end of the year	**40,295**	72,331

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balance and cash, borrowings and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through repurchase of shares or issue of new shares.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/8/2018 RMB'000	31/8/2017 RMB'000
Financial assets		
FVTPL Held for trading investments	**116,770**	–
Loans and receivables	**2,523,452**	1,948,883
Available-for-sale investments	**246,000**	–
Financial liabilities		
Liabilities measured at amortised cost	**788,256**	769,485
Liabilities measured at FVTPL	**4,600**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits, other receivables, available-for-sale investments, held for trading investments, pledged bank deposits, bank balances and cash, other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group conducts its business mainly in the PRC, The majority of the Group's revenue and expenditures are denominated in RMB. Several subsidiaries of the Company and the Company have bank balances, other receivables, other payables and borrowings which are denominated in foreign currencies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	31/8/2018 RMB'000	31/8/2017 RMB'000	31/8/2018 RMB'000	31/8/2017 RMB'000
HK$	**109,342**	107,964	**729,332**	120,188
SGD	**330,296**	325,841	**2,748**	3,191
CAD	**4,982**	5,353	**14,083**	16,657
USD	**–**	–	**245,779**	10,557
	444,620	439,158	**991,942**	150,593

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of USD, SGD, CAD and HK$. The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against USD, SGD, CAD and HK$. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax where RMB strengthens 5% against USD, SGD, CAD and HK$. For a 5% (2017: 5%) weakening of RMB against USD, SGD, CAD and HK$, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2018 **RMB'000**	2017 RMB'000
Profit or loss related to USD	**12,289**	528
Profit or loss related to SGD	**(16,235)**	(16,133)
Profit or loss related to CAD	**455**	565
Profit or loss related to HK$	**30,999**	611

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting year does not reflect the exposure for the full year.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see note 18 for details of these deposits). The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on variable-rate interest bearing financial assets and liabilities, mainly bank balances, cash and borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest rate bank balances and borrowings. If interest rates had been 5 basis points higher/lower and all other variables were held consistent, the Group's post-tax profit for the year ended 31 August 2018 would decrease/increase by RMB976,000 (2017: decrease/increase by RMB1,180,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities for the year ended 31 August 2018. The management manages the exposure to equity price risk of investments in listed equity securities by maintaining a portfolio of investments with different risks and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to held-for-trading investments at the reporting date.

If the price of the respective equity instruments had been 5% higher/lower, post-tax profit for the year ended 31 August 2018 would increase/decrease by RMB5,839,000 as a result of the changes in fair value of held for trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk on other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The credit risk on bank balances and pledged deposits is limited because the counterparties are reputable financial institutions.

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank balance and cash, monitoring forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The interest rates as at the end of the reporting period are used for the cash flow calculation in relation to variable rate interest bearing financial liabilities.

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non derivative financial liabilities								
Other payables		356,918	–	–	–	–	356,918	356,918
Variable rates interest borrowings	2.84%	233,498	11,077	10,929	197,715	–	453,219	431,338
At 31 August 2018		590,416	11,077	10,929	197,715	–	810,137	788,256
Non derivative financial liabilities								
Other payables	–	345,339	–	–	–	–	345,339	345,339
Variable rates interest borrowings	2.44%	125,845	111,856	10,041	9,915	192,364	450,021	424,146
At 31 August 2017		471,184	111,856	10,041	9,915	192,364	795,360	769,485

32. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Finance assets/ Financial liabilities	Fair value as at 31 August 2018	Fair value as at 31 August 2017	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Held for trading investments – Listed equity securities (see Note 21)	Listed equity securities: RMB116,770,000	–	Level 1	Quoted bid prices in an active market	NA
Available-for-sale investments – wealth management products (see Note 20)	wealth management products: RMB246,000,000	–	Level 2	Discounted cash flow, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects that credit risk of the counterparties	NA
Contingent consideration in a business combination (see Note 34)	Liabilities: RMB4,600,000	–	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Probability of students base; Discount rate

32. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements

	Contingent consideration in business combination	
	2018	2017
	RMB'000	RMB'000
Opening balance	**–**	–
Business combination	**12,547**	–
Settlements	**7,947**	–
Closing balance	**4,600**	–

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

There were no transfers between Level 1, Level 2 and Level 3 for the year ended 31 August 2018 and 2017.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Borrowings	**Interest payable**	**Acquisition consideration payable**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 September 2017	424,146	–	–	424,146
Financing cash flows	(4,670)	(10,607)	–	(15,277)
Interest expenses	–	10,607	–	10,607
Acquisition of additional interest of a subsidiary	–	–	21,422	21,422
Non-cash transaction (note 35)	–	–	(21,422)	(21,422)
Foreign exchange translation	11,862	–	–	11,862
At 31 August 2018	431,338	–	–	431,338

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Yisidun

On 23 January 2018, the Group acquired 55% of the equity interest in Yisidun at a total consideration of RMB89,045,000. The acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB30,453,000. Yisidun is principally engaged in the operation of a K-12 boarding school located in Shenzhen City of Guangdong Province, Shenzhen Yisidun Longgang School, which is a private non-enterprise organisation wholly-owned by Yisidun.

Consideration transferred:

	RMB'000
Cash	81,098
Contingent consideration arrangement (Note)	7,947
	89,045

Note: Based on the relevant agreement, the Group is required to pay an additional amount of RMB7,947,000 if Shenzhen Yisidun Longgang School meet the target student enrolment for the school year ended 31 August 2018. The fair value of such contingent consideration amounted to RMB7,947,000 as at the acquisition date and has been included in other payable and accrued expenses on the consolidated statement of financial position. The management has reassessed the fair value of the contingent consideration as at 31 August 2018, there were no fair value change noted based on the assessment result.

Acquisition-related costs amounting to RMB100,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 August 2018.

Assets and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	8,221
Deposit, prepayments and other receivables	2,794
Inventories	606
Property and equipment	118,285
Other intangible assets	2,300
Deferred revenue	(6,584)
Other payables and accrued expenses	(18,516)
Deferred tax liabilities	(575)
	106,531

The property and equipment and other intangible assets were valued at fair value by the Company with reference to an independent valuation provided by Duff & Phelps, an independent firm of professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar assets. Its address is Suite 801-803 8/F, Tower 2, China Central Place, 79 Jianguo Road, Chaoyang District, Beijing, China.

34. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Yisidun (Continued)

Non-controlling interests

The non-controlling interest (45%) in Yisidun recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Yisidun and amounted to RMB47,939,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	89,045
Add: Non-controlling interests (45%)	47,939
Less: Fair value of identifiable net assets acquired	(106,531)
Goodwill arising on acquisition	30,453

Goodwill arose in the acquisition of Yisidun because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of Yisidun. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Yisidun:

	RMB'000
Consideration paid in cash	85,071
Less: cash and cash equivalent balances acquired	(8,221)
	76,850

34. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Yisidun (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of RMB17,314,000 attributable to the business operated by Yisidun. Revenue for the year includes RMB8,453,000 generated from Yisidun.

Had the acquisition been completed on 1 September 2017, total group revenue for the year would have been RMB1,347,631,000, and profit for the year would have been RMB521,593,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma’ revenue and profit of the Group had Yisidun been acquired at the beginning of the current year, the Directors have calculated depreciation of property and equipment and amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

(b) Acquisition of the Five Meis

On 1 June 2018, the Group acquired 100% of the equity interest in the Five Meis at a total consideration of RMB150,000,000. The acquisitions has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB75,051,000. The Five Meis are principally engaged in the operation of K-12 boarding schools and preschool located in Haikou City of Hainan Province.

Consideration transferred:

	RMB’000
Cash	145,400
Contingent consideration arrangement (Note)	4,600
	150,000

Note: Based on the relevant agreements, the Group is required to pay an additional amount of RMB4,600,000 if the Five Meis meet the students enrollment target for the school year ended 31 August 2019. The fair value of such contingent arrangement amounted to RMB4,600,000 as at acquisition date which has been included in other payable and accrued expenses on the consolidated statement of financial position. The management has reassessed the fair value of the contingent consideration as at 31 August 2018, there were no fair value change noted based on the assessment result.

34. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of the Five Meis (Continued)

Acquisition-related costs amounting to RMB330,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 August 2018.

Assets and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	20,885
Deposit, prepayments and other receivables	6,399
Property and equipment	58,651
Other intangible assets	30,500
Deferred revenue	(13,686)
Other payables and accrued expenses	(19,553)
Deferred tax liabilities	(8,247)
	74,949

The property and equipment and other intangible assets were valued at fair value by the Company with reference to an independent valuation provided by Duff & Phelps, an independent firm of professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar assets. Its address is Suite 801-803 8/F, Tower 2, China Central Place, 79 Jianguo Road, Chaoyang District, Beijing, China.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	150,000
Less: Fair value of identifiable net assets acquired	(74,949)
Goodwill arising on acquisition	75,051

Goodwill arose in the acquisition of the Five Meis because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of The Five Meis. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

34. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of the Five Meis (Continued)

Net cash outflow on acquisition of The Five Meis:

	RMB'000
Consideration paid in cash	140,298
Less: cash and cash equivalent balances acquired	(20,885)
	119,413

Impact of acquisition on the results of the Group

Included in the profit for the year is a profit of RMB6,343,000 attributable to the business operated by the Five Meis. Revenue for the year includes RMB13,012,000 generated from the Five Meis.

Had the acquisition been completed on 1 September 2017, total group revenue for the year would have been RMB1,374,616,000, and profit for the year would have been RMB543,377,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Five Meis been acquired at the beginning of the current year, the directors have calculated depreciation of equipment and amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

(c) Acquisition of Hainan Science

On 12 May 2017, the Group acquired 52.4% of the issued share capital of Hainan Science. The acquisitions has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB48,065,000. Hainan Science is principally engaged in the operation of a K-12 boarding school located in Haikou City of Hainan Province (subsequently renamed as Hainan Maple Leaf International School), which is a private non-enterprise organisation wholly-owned by Hainan Science.

Consideration transferred:

	RMB'000
Cash	7,497
Equity instruments issued	116,620
	124,117

34. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of Hainan Science (Continued)

As part of the consideration for the acquisition of Hainan Science, 18,636,733 ordinary shares with par value of USD0.001 each were issued, the amount of ordinary shares issued was determined based on the price of HK$4.732 per share on the date of the acquisition agreement. The fair value of the ordinary shares issued were determined using the acquisition date share price, amounted to HK$131,762,000 (equivalent to approximately RMB116,620,000).

Acquisition-related costs amounting to RMB200,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 August 2017.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Bank balances and cash	3,783
Deposit, prepayments and other receivables	27,849
Property and equipment	123,088
Prepaid lease payment	37,800
Other intangible assets	7,300
Deferred revenue	(16,301)
Other payables and accrued expenses	(17,559)
Deferred tax liabilities	(20,824)
	145,136

The property and equipment, prepaid lease payment and other intangible assets were valued at fair value by the Company with reference to an independent valuation provided by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar assets. Its address is 13/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	124,117
Add: Non-controlling interests (47.6%)	69,084
Less: Fair value of identifiable net assets acquired	(145,136)
Goodwill arising on acquisition	48,065

The non-controlling interests in Hainan Science recognised at the acquisition date was measured at their proportionate share of net assets acquired.

34. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of Hainan Science (Continued)

Goodwill arose in the acquisition of Hainan Science because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of Hainan Science. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Hainan Science:

	RMB'000
Consideration paid in cash	7,497
Less: cash and cash equivalent balances acquired	(3,783)
	3,714

Impact of acquisition on the results of the Group

Included in the profit for the year of 2017 is a profit of RMB7,363,000 attributable to business operated by Hainan Science. Revenue for the year of 2017 includes RMB16,917,000 generated from Hainan Science.

Had the acquisition been completed on 1 September 2016, total group revenue for the year of 2017 would have been RMB1,114,882,000, and profit for the year of 2017 would have been RMB421,838,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2016, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Hainan Science been acquired at the beginning of the current year, the Directors have calculated depreciation of equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

34. ACQUISITION OF SUBSIDIARIES (Continued)

(d) Acquisition of Lucrum Development (Singapore) Pte. Limited

On 6 September 2016, the Group acquired 100% of the issued share capital of Lucrum Development (Singapore) Pte. Limited (subsequently renamed as Maple Hillside) for the consideration of SGD67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party. The total consideration was fully paid by cash during the year. As the principal asset of Maple Hillside is a property located at 11 Hillside Drive in Singapore and leased to an independent third party K-12 school operator, which is held as an investment property by Maple Hillside, the transaction was accounted for as asset acquisition.

Acquisition-related costs amounting to SGD367,838.63 (equivalent to approximately RMB1,802,000) have been excluded from the consideration transferred and have been recognised as an expense during the year.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Investment properties	333,685
Furniture and others	644
Rental receivable	197
Rental deposit received	(2,950)
Income tax payable	(669)
Other tax payable	(74)
	330,833

35. MAJOR NON-CASH TRANSACTIONS

Part of the consideration for the acquisition of non-controlling interest in a subsidiary that occurred during the current year which comprised a waiver of accounts receivable amounted to RMB21,422,000 due from the non-controlling shareholder of the subsidiary. Further details of the transaction is set out in the consolidated statement of changes in equity.

Part of the consideration for the acquisition of Hainan Science set out in note 34c that occurred during the last year which comprised issuing 18,636,733 ordinary shares with par value of USD0.001 each, the amount of ordinary shares issued was determined based on the price of HK$4.732 per share on the date of the acquisition agreement. The fair value of the ordinary shares issued were determined using the acquisition date share price, amounted to HK$131,762,000 (equivalent to approximately RMB116,620,000).

36. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the financial year:

	2018 RMB'000	2017 RMB'000
Premises	**13,924**	8,066

At the end of each financial year, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	31/8/2018 RMB'000	31/8/2017 RMB'000
Within one year	**16,776**	6,485
In the second to fifth year inclusive	**49,950**	13,571
Over five years	**33,626**	13,734
	100,352	33,790

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

The Group as lessor

Property rental income earned during the year was RMB15,054,000 (2017: RMB14,124,000). The properties are expected to generate rental yields of 4% (2017: 4%) based on the cost on an ongoing basis. Certain of the properties held have committed tenants for the next three years.

At the end of the financial year, the Group had contracted with tenants for the following future minimum lease payments:

	31/8/2018 RMB'000	31/8/2017 RMB'000
Within one year	**14,596**	15,071
In the second to fifth year inclusive	**16,209**	28,192
	30,805	43,263

37. CAPITAL COMMITMENTS

	31/08/2018 RMB'000	31/08/2017 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property and equipment	**7,713**	98,307
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of business acquisitions	**130,000**	–
	137,713	98,307

There was no capital commitments for which were authorised but not contracted for as at 31 August 2018 and 2017.

38. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the financial year are as follows:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**10,621**	14,844
Post-employment benefits	**42**	48
Share-based payments	**3,403**	309
	14,066	15,201

39. CONTINGENT LIABILITIES

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case now proceeds to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option (the "**Option**") provided in the Agreement. Zhixin Case is still in the process of filing pleadings by both parties.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2018, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed above has not considered the effect of Share Subdivision that became effective on 9 July 2018 (note 27).

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/8/2018 RMB'000	31/8/2017 RMB'000
Non-Current Assets		
Investments in subsidiaries	**192,696**	192,696
Amounts due from subsidiaries	**280,981**	476,608
Property and equipment	**43**	52
	473,720	669,356
Current Assets		
Deposits, prepayments and other receivables	**2,596**	299
Held for trading investments	**116,770**	–
Bank balances and cash	**849,671**	145,094
	969,037	145,393
Current Liabilities		
Other payables and accrued expenses	**5,028**	6,753
Amounts due to subsidiaries	**11,665**	12,908
Borrowing	**104,339**	–
	121,032	19,661
Net Current Assets	**848,005**	125,732
Total Assets Less Current Liabilities	**1,321,725**	795,088
Capital and Reserves		
Share capital (Note 27)	**9,255**	8,549
Reserves (Note)	**1,312,470**	685,307
	1,321,725	693,856
NON-CURRENT LIABILITIES		
Borrowings	**–**	101,232
	1,321,725	795,088

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

Movement in reserves is as follows:

	Share premium RMB'000	Share held for restricted share award scheme RMB'000	Share-based payment reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 September 2016	770,594	(52,331)	4,522	19,714	742,499
Loss for the year	–	–	–	(57,689)	(57,689)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(57,689)	(57,689)
Issued in consideration for the acquisition of the issued share capital of a subsidiary (Note 27b)	116,490	–	–	–	116,490
Share-based payments	–	–	24,068	–	24,068
Dividends recognised as distribution	(142,901)	–	–	–	(142,901)
Dividends distribute to the restricted share award scheme	2,451	–	–	–	2,451
Exercise of share options	590	–	(201)	–	389
Shares vested under restricted share award scheme	–	9,614	(20,779)	11,165	–
At 31 August 2017	747,224	(42,717)	7,610	(26,810)	685,307
Loss for the year	–	–	–	(45,198)	(45,198)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(45,198)	(45,198)
Issue of new shares	813,099	–	–	–	813,099
Share-based payments	–	–	57,356	–	57,356
Dividends recognised as distribution	(200,585)	–	–	–	(200,585)
Dividends distribute to the restricted share award scheme	2,114	–	–	–	2,114
Exercise of share options	555	–	(178)	–	377
Shares vested under restricted share award scheme	–	13,678	(48,055)	34,377	–
At 31 August 2018	1,362,407	(29,039)	16,733	(37,631)	1,312,470

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Maple BVI	28 April 1992 BVI	USD500,000	100%	100%	Investment holding
Dalian High School 大連楓葉國際學校	15 April 1996 The PRC	USD5,000,000	100%	100%	High school education
Tech Global Investment Limited ("**HK Tech**")	7 June 2007 Hong Kong	HK$5,000,000	100%	100%	Investment holding
Beipeng Software 大連北鵬教育軟件開發有限公司	10 March 2008 The PRC	USD33,400,000	100%	100%	Technical support
Maple Leaf Asia Pacific Limited ("**Maple Asia**")	10 February 2009 Hong Kong	HK$10,000,000	100%	100%	Investment holding
Dalian Maple Leaf International School (Middle School and Elementary School) 大連楓葉國際學校(民辦初中、小學)	3 September 1996 The PRC	RMB8,500,000	100%	100%	Middle and elementary school education
Dalian Science and Education 大連楓葉科教有限公司	9 January 2003 The PRC	RMB8,500,000	100%	100%	Investment holding
Dalian Educational Group 大連楓葉教育集團有限公司	23 May 2003 The PRC	RMB140,000,000	100%	100%	Investment holding
Dalian Foreign School 大連楓葉外籍人員子女學校(Note ii)	31 August 2005 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Qianshan Xincheng Preschool 大連楓葉千山心城幼兒園	22 September 2005 The PRC	RMB200,000	100%	100%	Preschool education
Shenyang Maple Leaf International School ("**Shenyang Maple**") (Note i) 瀋陽楓葉國際學校	14 December 2005 The PRC	N/A	N/A	N/A	Inactive

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Wuhan Foreign School 武漢楓葉外籍人員子女學校(Note ii)	9 December 2006 The PRC	nil	100%	100%	Education-related services
Lanxi 大連楓葉蘭溪文苑幼兒園	1 June 2007 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf International School 武漢楓葉國際學校	26 June 2007 The PRC	RMB21,303,454	100%	100%	High school education
Dalian Maple Leaf Sunshine Preschool 大連楓葉陽光月秀幼兒園	24 March 2008 The PRC	RMB500,000	100%	100%	Preschool education
Dalian Maple Leaf Jiabao Preschool 大連楓葉佳寶幼兒園	24 April 2008 The PRC	RMB200,000	100%	100%	Preschool education
Tianjin Teda Maple Leaf International School 天津泰達楓葉國際學校	1 September 2008 The PRC	RMB8,000,000	100%	100%	High, middle and elementary school education
Jinhai 大連楓葉金海幼兒園	1 April 2009 The PRC	RMB100,000	100%	100%	Preschool education
Dalian Maple Leaf Xiangzhou Preschool 大連沙河口楓葉香洲心城幼兒園	10 April 2009 The PRC	RMB200,000	100%	100%	Preschool education
Chongqing Maple Leaf International School 重慶楓葉國際學校	25 June 2009 The PRC	RMB43,500,000	100%	100%	High, middle, elementary school and preschool education
Dalian Maple Leaf Kaifaqu Preschool 大連開發區楓葉幼兒園	10 December 2009 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf School 武漢楓葉學校	24 June 2010 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf Xianghe Huayuan Preschool 大連市甘井子區楓葉祥和花園幼兒園	3 December 2010 The PRC	RMB200,000	100%	100%	Preschool education
Dalian Maple Leaf Zhonghua Mingcheng Preschool 大連西崗楓葉中華名城幼兒園	10 June 2011 The PRC	RMB500,000	100%	100%	Preschool education

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Zhenjiang Maple Leaf International School 鎮江楓葉國際學校	21 June 2011 The PRC	RMB10,000,000	100%	100%	High, middle and elementary school education
Henan Maple Leaf International School 河南楓葉國際學校	26 April 2012 The PRC	RMB2,010,000	100%	100%	High, middle and elementary school education
Inner Mongolia Ordos Maple Leaf International School 內蒙古鄂爾多斯楓葉國際學校	26 April 2012 The PRC	RMB30,000	100%	100%	Middle and elementary school education
Mapleleaf International Academy (Korea)	27 April 2012 The Republic of Korea	Korea won 1,500,000,000	100%	100%	Education related services
Inner Mongolia Ordos Maple Leaf The First Preschool 楓葉第壹幼兒園	17 May 2012 The PRC	RMB30,000	100%	100%	Preschool education
Shanghai Maple Leaf International School 上海楓葉國際學校	20 March 2013 The PRC	RMB5,000,000	100%	100%	High and middle school education
Pingdingshan Maple Leaf International School 平頂山楓葉國際學校	20 January 2014 The PRC	RMB1,000,000	100%	100%	Middle and elementary school education
Tianjin Huayuan Maple Leaf International School 天津華苑楓葉國際學校	11 September 2014 The PRC	RMB4,000,000	100%	100%	Middle and elementary school education
Pingdingshan Maple Leaf International School affiliated preschool 平頂山楓葉國際學校附屬幼兒園	3 November 2014 The PRC	RMB100,000	100%	100%	Preschool education
Zhejiang Yiwu Maple Leaf International School 浙江義烏楓葉國際學校	30 March 2015 The PRC	RMB500,000	100%	100%	High school education

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Yiwu Maple Leaf International School affiliated School 義烏楓葉國際學校附屬學校	6 November 2014 The PRC	RMB500,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf International Travel Agency Co Ltd. 大連楓葉國際旅行社有限公司	27 March 2015 The PRC	RMB3,000,000	100%	100%	Vacation cultural exchange and overseas study services
Dalian Maple Leaf Stationery Co., Ltd. 大連楓葉文化用品有限公司	27 March 2015 The PRC	RMB500,000	100%	100%	Stationery sales related services
Dalian Maple Leaf Red Supermarket Co., Ltd. 大連楓葉紅超市有限公司	29 April 2015 The PRC	RMB2,000,000	100%	100%	Retail business
Jingzhou 荊州楓葉國際學校	15 July 1998 The PRC	RMB30,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Catering Co., Ltd. 大連楓葉餐飲服務有限公司	26 May 2015 The PRC	RMB1,000,000	100%	100%	Catering services
Zhejiang Yiwu Maple Leaf International School affiliated preschool 浙江義烏楓葉國際學校附屬幼兒園	29 May 2015 The PRC	RMB500,000	100%	100%	Preschool education
Dalian Maple Leaf Science and Education. Industrial Group Co., Ltd 大連楓葉科教產業集團有限公司	28 July 2015 The PRC	RMB50,000,000	100%	100%	Education related services
Dalian Maple Leaf Spring Water Co., Ltd. 大連楓葉泉飲料有限公司	4 August 2015 The PRC	RMB500,000	100%	100%	Water sales related services
Dalian Maple Leaf Red Clothing Co., Ltd. 大連楓葉紅服裝有限公司	26 August 2015 The PRC	RMB100,000	100%	100%	Clothing related services
Pinghu Maple Leaf International School 平湖楓葉國際學校	2 September 2015 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Tianjin Maple Leaf Zhonghua Teda Preschool 天津經濟技術開發區楓葉幼稚園	6 April 2016 The PRC	RMB1,500,000	100%	100%	Preschool education

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Maple Leaf Education North America Holdings Limited ("**Maple NA**")	26 January 2016 BVI	USD50,000	100%	100%	Investment holding
Maple Leaf Education North America Limited (Note viii)	4 February 2016 Canada	nil	100%	100%	Education related services
Huaian Enlai Maple Leaf International School 淮安恩來楓葉國際學校	18 March 2016 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf Red Construction Project Co., Ltd. 大連楓葉紅建設工程有限公司	19 March 2016 The PRC	RMB50,000,000	100%	100%	Construction services
Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. 大連楓葉夢建築設計院有限公司	19 March 2016 The PRC	RMB8,000,000	100%	100%	Construction services
Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd.. 大連北鵬工程監理有限公司	24 March 2016 The PRC	RMB1,000,000	100%	100%	Construction services
Xian Maple Leaf International School 西鹹新區空港楓葉國際學校	7 April 2016 The PRC	RMB2,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Red Project Management Co., Ltd. 大連楓葉紅工程項目管理有限公司	30 June 2016 The PRC	RMB20,000,000	100%	100%	Construction services
Yiwu Foreign school (Note ii) 義烏楓葉外籍人員子女學校	1 May2016 The PRC	RMB500,000	100%	100%	Education related services
Maple Leaf Education Singapore Holdings Limited	9 August 2016 BVI	USD50,000	100%	100%	Investment holding
Shijiazhuang Duobang Crystal Stone Co., Ltd. 石家莊多邦晶崗石有限公司	26 November 2013 The PRC	RMB500,000	100%	100%	Construction services

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Maple Leaf Education Hillside Pte.Ltd.	16 August 2011 Singapore	SGD100,000	100%	100%	Education related services
Maple Leaf Educational Tours and Services Ltd. (Note viii) 楓葉教育旅遊服務有限公司	13 October 2016 Canada	nil	100%	100%	Education related services
Dalian Maple Leaf Jinshitan Preschool 大連金普新區金石灘楓葉幼稚園	18 November 2016 The PRC	RMB200,000	100%	100%	Preschool education
Hainan Science 海南楓葉科教集團有限公司	28 June 1994 The PRC	RMB50,000	100%	52.4%	Investment holding
Hainan Maple Leaf International School 海南楓葉國際學校	24 January 1994 The PRC	RMB37,500	100%	52.4%	High, middle and elementary school education
Yancheng Maple Leaf International School 鹽城楓葉國際學校	2 March 2017 The PRC	RMB30,000	100%	100%	Elementary school education
Huzhou Maple Leaf International School 湖州楓葉國際學校	23 March 2017 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Liangping Maple Leaf International School 重慶市梁平楓葉國際學校	1 March 2017 The PRC	RMB500,000	100%	100%	Middle and elementary school education
Weifang Maple Leaf International School 濰坊楓葉國際學校	13 March 2017 The PRC	RMB500,000	100%	100%	Middle and elementary school education
Liangping Maple Leaf International Preschool 重慶市梁平楓葉國際學校附屬幼稚園	23 March 2017 The PRC	RMB30,000	100%	100%	Preschool education
Yisidun (Note iii) 伊思頓國際教育投資(深圳)有限公司	9 May 2016 The PRC	RMB135,000,000	55%	N/A	Investment holding

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Shenzhen Yisidun Longgang School (Note iii) 深圳市伊思頓龍崗書院	30 August 2016 The PRC	RMB106,000,000	55%	N/A	High, middle and elementary school education
Haikou Xiuying Maple Leaf Preschool (Note iii) 海口市秀英區國科園幼稚園	2 January 2018 The PRC	RMB100,000	100%	N/A	Preschool education
Pinghu Maple Leaf Bilingual Preschool (Note iii) 平湖市楓葉雙語幼稚園	2 January 2018 The PRC	RMB500,000	100%	N/A	Preschool education
Changchunteng 海口常春藤前沿教育管理有限公司	20 December 2017 The PRC	RMB1,000,000	100%	N/A	Investment holding
Haikou Changchunteng Preschool (Note iii) 海口市常春藤幼稚園	11 November 2012 The PRC	RMB3,000,000	100%	N/A	Preschool education
Meicheng 海口美成前沿教育管理有限公司	15 December 2017 The PRC	RMB1,000,000	100%	N/A	Investment holding
Teenager Growth Service Centre – Hainan Meishe (Note iii) 海南省美舍青少年成長服務中心	17 May 2018 The PRC	RMB1,000,000	100%	N/A	Education-related services
Meishe 海口美舍前沿教育管理有限公司	15 December 2017 The PRC	RMB1,000,000	100%	N/A	Investment holding
Haikou Meishe School (Note iii) 海口美舍學校	1 September 2004 The PRC	RMB3,300,000	100%	N/A	High, middle and elementary school education
Meihua 海口美華前沿教育管理有限公司	20 December 2017 The PRC	RMB1,000,000	100%	N/A	Investment holding
Haikou Meihua School (Note iii) 海口美華學校	1 August 2014 The PRC	RMB3,000,000	100%	N/A	Elementary school education

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August 2018	2017	Principal activities
Meiwen 海口美文前沿教育管理有限公司	15 December 2017 The PRC	RMB1,000,000	100%	N/A	Investment holding
Haikou Meiwen School (Note iii) 海口美文學校	21 March 2013 The PRC	RMB2,000,000	100%	N/A	Elementary school education
Maple Leaf Educational Service Co. Ltd. – Horgos (Note iii) 霍爾果斯楓葉教育服務有限公司	2 January 2018 The PRC	HKD30,000	100%	N/A	Education related services
Maple Leaf Preschool Educational Management Co. Ltd. – Dalian (Note iii) 大連楓葉學前教育企業管理有限公司	3 August 2018 The PRC	RMB20,000,000	100%	N/A	Education related services
Maple Leaf International Preschool – Xi'an (Note iii) 西鹹新區空港新城楓葉幼稚園	1 August 2018 The PRC	RMB200,000	100%	N/A	Preschool education
Huzhou Maple Leaf International School 湖州楓葉國際學校附屬幼稚園(Note iii)	30 August 2018 The PRC	RMB50,000	100%	N/A	Preschool education

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(i) *Shenyang Maple has been inactive since establishment. Capital injection has not been completed since establishment. Its license to provide educational service expired on November 23, 2010 and its private non-enterprise registration certificate expired on December 13, 2011.*

(ii) *The registered capital of Dalian Foreign School and Wuhan Foreign School are nil as there is no capital requirement for foreign schools under the PRC laws and regulations.*

(iii) *These subsidiaries were established or acquired by the Group during the year ended 31 August 2018.*

(iv) *Except for HK Tech, Maple Asia, Maple BVI and Maple NA which are directly held by the Company, all subsidiaries are indirectly held by the Company.*

(v) *The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these subsidiaries are in Chinese.*

(vi) *Except for Dalian High School, Beipeng Software, Dalian Maple Leaf International Travel Agency Co., Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd., Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. and Shijiazhuang Duobang Crystal Stone Co., Ltd. all subsidiaries established in the PRC are controlled by the Group through the Contractual Arrangements, details of which are set out in Note 1.*

(vii) *The legal forms of Beipeng Software, Dalian Educational Group, Dalian Science and Education, Dalian Maple Leaf International Travel Agency Co., Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd., Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd, Shijiazhuang Duobang Crystal Stone Co., Ltd., Hainan Science, Yisidun, Haikou Changchunteng Qianyan Educational Management Co., Ltd., Haikou Meicheng Qianyan Educational Management Co., Ltd., Haikou Meishe Qianyan Educational Management Co., Ltd., Haikou Meihua Qianyan Educational Management Co., Ltd., Haikou Meiwen Qianyan Educational Technology Co., Ltd., Maple Leaf Educational Service Co. Ltd. – Horgos and Maple Leaf Preschool Educational Management Co. Ltd. – Dalian were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools, including high schools, middle schools, elementary schools and preschools.*

(viii) *The registered capital of these subsidiaries are nil as there is no capital requirement under the Local laws and regulations.*

(ix) *None of the subsidiaries have issued any debt securities as at 31 August 2018 and 2017.*

42. APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 27 November 2018.